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FINANCIAL TIMES

No. 26,695

Wednesday June 18 1975

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NEWS SUMMARY

GENERAL

Talks

o-day to

top rail

trike

negotiations to prevent the planned midnight Sunday by the National Union of Railwaymen begin at the invitation of the British Rail's... it is clear from British Rail's... it is thought certain that it will want a share in any... given to the NUR.

Joseph's plan

protection law

Keith Joseph advocates in a... constitutional innovation... Bill of Rights for self-restraint on Parliament... stop the law becoming a political football. His... have particular relevance... use he is the "Shadow... net's policy co-ordinator... Richard Evans.

each crash toll

es to 10

number of people killed in... coach crash at Moffat,... rise to 10 when... man named as Rose Watts... died in... Brighton, died in... MP's called yesterday... entral hurried along the A74... said Scottish Secretary... am Ross in a Commons... ment, the coach and an... elated lorry collided after... yrn. Page 16

monstown anger

Tory backbenchers... the ending of the... onstown Agreement in the... ions, accusing the Govern... of yielding to Left-wing... and easing Russia's... ce to Indian Ocean... Minister William Rod... confirmed that all bilateral... ty co-operation with South... e 16

ti-Left launch

Social Democratic Alliance... grouping of Labour moder... against Left-wing militanc... officially launched in... ndon yesterday. It is backed... Mr. Roy Jenkins and Mr. Reg... mence but MPs will not be... ble for office.

umes hit 67

which police last night blamed... decomposing stockpile of nitro... phosphate fertiliser in a ware... at the village of Heimerster... for red and black fumes... ch put 67 people in hospital... suspected gas poisoning.

iffes recovered

ops last night found hidden... a farm 16 rifles and a sack of... oke of the arms stolen... an in Uster Defence Rest... ury, which totalled over 100... s, a machine-gun and 35 sub... ine guns.

hefty ...

ach ex-Premier Golda Meir... at into hospital with a hip and... aim. She was expected... oday.

hefty ...

ach ex-Premier Golda Meir... at into hospital with a hip and... aim. She was expected... oday.

RISE PRICE CHANGES

ices in pence unless otherwise indicated.)

Bank of Scotland	255	-5
Bowater	185	-5
Bats	323	-7
British Homes Stores	330	-5
Comet Radiovision	38	-4
Commercial Union	174	-5
Eagle Star	124	-5
Francis Inds.	231	-3
Glaxo 'New'	pm165	-9
GKN	241	-5
Johnson Matthey	273	-10
Lloyds Banks	240	-7
Reed	141	-5
Shedfield Twist	240	-7
Spink and Son	107	-10
Tate and Lyle	249	-6
Unilever	378	-8
UDS Group	166	-7
Wedwood	99	-4
Marivale	430	-20
Poseidon	370	-40
Selection Trust	640	-20
Western Mining	157	-13

Engineers throw out social contract

BY JOHN WYLES IN HASTINGS

THE Amalgamated Union of Engineering Workers yesterday indicted the crippling blow to the Government, but obviously he would have to express the policy laid down yesterday.

AUEW line will be equally damaging to the moves within the TUC to propose changes in the pay guidelines. Mr. Scanlon and his three AUEW colleagues on the TUC general council, Mr. John Boyd, Mr. Len Edmondson and Mr. Ken Gill, will now lead the opposition at next week's general council meeting to current proposals for possible flat rate pay limits and to the idea of pegging pay rises behind a falling price rate.

Even if proposals for tightening the guidelines finally do emerge, their credibility will be severely dented by the AUEW's opposition which is almost certain to gather support from other Left-wing unions at the TUC Congress in September.

But Mr. Scanlon himself refused to judge whether his union had increased the possibility of a statutory pay policy. The next few weeks will be a personal defeat for the AUEW president who had argued on Monday, and repeated his case yesterday, that the union should be "pragmatic" and support the existing social contract while standing firm against any change in the guidelines.

But this argument met with blank resistance from a coalition of Communist Party members and Left-wing Labour party members who mustered a majority of the 68 delegates who should go to this meeting.

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Wilson hint of softer line on disclosure

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

A COMMENT made by Mr. Wilson yesterday on the controversial Industrial Bill was taken by the Commons as a broad hint that proposed powers on the compulsory disclosure of information are likely to be modified.

However, after a one and a half hour meeting between Mr. Wilson and a Confederation of British Industry delegation, it became clear that the Government has still to settle the exact nature of the changes.

Asked in the Commons by Mr. Eric Heffer, the former Minister of State for Industry, for an assurance that, after the meeting with the CBI, no amendments would be tabled to the Bill apart from those already agreed in the standing committee, Mr. Wilson said:

"The Bill and the implementation of it will be in full accord with the manifesto and the White Paper, and where there can be agreement through voluntary policy rather than through a statute, this is something to be desired."

The Prime Minister's emphasis on the word "voluntary" and on the contents of the White Paper rather than the Bill itself led MPs to assume that Ministers are willing to accept the CBI's criticism about the Bill's insistence on the compulsory disclosure of company information.

When Mr. John Weakley rose to speak several left wingers ostentatiously read newspapers in an obvious protest at the High Court case last week which set aside his disqualification as a delegate to the conference.

Labour News Page 13
Editorial Comment Page 18

Manual workers reject ICI 26%-7,000 walk out

BY CHRISTIAN TYLER, LABOUR STAFF

THE LINES were drawn for a major pay battle in the private sector yesterday when manual workers' unions rejected Imperial Chemical Industries' offer of 26 per cent. and 7,000 men walked out of ICI's biggest chemical plant.

ICI, one of the country's biggest private sector employers, was told by leaders of eight unions representing its 57,000 manual workers that they were looking for an improvement on the 26.13 per cent. offer of 26 per cent. and 7,000 men walked out of ICI's biggest chemical plant.

A handful of craftsmen are on strike at a third plant, at Trafford Park, Manchester.

The wave of industrial trouble at ICI—unknown for many years—represents local expressions of protest at the company's offer, feelings which have now been conveyed to senior management by union negotiators following soundings at all ICI branches.

An ICI spokesman said the company's refusal to move materials in and out of Wilton had made it extremely difficult to keep plants working.

Mr. Len Edmondson, executive member of the Engineering Workers, and spokesman for ICI craft unions, was meeting ICI managers in London last night. He was accompanied by John Miller, a national secretary of the Transport Workers, and secretary of the union side.

These were private talks to discuss the spate of unofficial strikes by 250 craftsmen at payments are added in as pro-strike action.

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Italian political parties meet to assess Left-wing gains

BY ANTHONY ROBINSON

ROME, June 17.

ITALY'S political parties now have been confirmed with increased majorities, while in the marginal regions of Liguria, Campania and Sicily gains make it possible to form a fourth "red region."

Even in the regions where the political balance remains unchanged, the increase in Left-wing votes signifies a considerable increase in seats and hence voting strength.

The Italian Bourgeoisie reacted with widespread and heavy losses in share prices to the unexpectedly large Left-wing advance. But the limited size of the Italian Bourgeoisie and highly speculative nature diminishes the overall significance of this reaction.

More significant is the Bank of Italy's report that the lira did not come under pressure to-day although the trade-weighted devaluation index did rise marginally to 20.32 per cent. from 20.76 per cent. yesterday.

Forward lira also weakened slightly, but the central bank attributes this mainly to new regulations under which Italian banks have been authorised to contract foreign debts again after having been banned from this since July last year.

Ironically the measures taken over the last 18 months to reduce the balance of payments deficit and strengthen the lira, which have been strongly criticised by the Left-wing parties for their recessionary effect on the domes-

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Savers need a real guardian

BY C. GORDON TETHER

IT IS extremely disappointing in the National Savings Movement and building societies alone something like 500, per annum in permanently lost purchasing power—equivalent to a sum of £400 per annum for the average family unit.

Surely, if the spread of inflation has any influence at all on the attitude to inflation of those occupying the corridors of power, it will be to make them less complacent. For one thing as it gets into its stride, it will provide a constant mirror of the extent to which they are not fulfilling their duty to stabilise money. For another, once the State has to compensate the public for the loss of capital value caused by inflation, it will have less of a vested interest than it has now in allowing it to roll on.

As I said at the start, if the National Savings Movement sees itself as being concerned with looking after the interests of the community as a whole rather than those of the Government, its proper role is to call, not for the halting of the provision of index-linking facilities in its field, but for their further extension.

After all, the protection afforded by the index-linking arrangements recently introduced in the National Savings field are of a decidedly limited character. They are restricted to a £500 facility for those who have reached retirement age and a £20 per month saving over five years to others— which comes to £1,200. Bearing in mind how much it costs to keep body and soul together at the present level of prices, how far will this go to give people the feeling that provision for old age and the rainy day is now adequately assured against the ravages of inflation?

Defeated

Remembering that, all the time this defeatist process has been rolling forward, Ministers of successive Governments have been proclaiming their determination to stamp out inflation—to treat this cause, indeed, as a top priority—one thing is crystal clear. It is that they have been defeated by inflation, whether we care to admit it or not, and will continue to be defeated by it for as far ahead as we can see.

Vulnerable

All the money accumulated in National Savings up till now remains as vulnerable as ever to the ravages of inflation. And it is significant that, even in the light of these limited index-linking facilities, the Government is exacting a high price for the insurance of the capital in the shape of a refusal to pay any interest worth talking about. Having deprived the citizen of his right to the stability of his money, it is actually exploiting that situation to make him pay to get it back again.

It is with these wrongs that the National Savings Movement should be concerned itself. And if it is not going to do so, the saving public should trust the task to a body that is both willing and capable of doing that.

Does anyone seriously believe, in the light of all this, that the part that complacency is playing in discouraging our rulers from making the long-needed all-out assault on the inflation menace is going to be significantly increased by the spread of index-linking—so much so that savers should be denied any further relief from the gross injustice it is inflicting on them by depriving them of the money they have put aside for retirement and the rainy day?

And it is the case that, at its present annual rate of 25 per cent, the fall in the value of money is costing those holding savings

SALEROOM BY ANTONY THORNCROFT

Rare ewer tops exciting day

EXCITEMENT all the way sale showed porcelain prices back to the high levels of last year, but pride of place yesterday, but pride of place must go to Sotheby's, where a 19th-century ewer, made in France in the mid-sixteenth century, was sold to Zeitz, a German dealer, for £44,000—way above the £20,000-£30,000 estimate.

The elaborately shaped ewer, 43 cm high, and intricately coloured, is one of only 64 known examples from the Saint-Porchaire workshop, most of which are in museums. Only half a dozen are ewers, and examples of this fragile ware were rarely come on to the market.

This piece was acquired by Horace Walpole before 1745 and stood on the mantelpiece of his home at Strawberry Hill. It was bought by Sir Anthony de Rothschild in 1842 for 19 gns, and sold by the Rothschilds in 1948 to Colonel N. R. Colville. It was put up for sale by his executors.

There were other high prices in the Continental porcelain sale, which realised £188,113—notably a pair of Meissen bottles of about 1730 which went to the London dealer W. Williams for £20,000. In 1972 they had sold at Sotheby Park Bazaar, New York, for £17,715. All told, the

RACING BY DOMINIC WIGAN

Irish afternoon likely at Ascot

THE FORMIDABLE 40-strong Irish team, raiding Royal Ascot, took little time getting off the mark yesterday with Imperial March, coached on Deerslayer in the opener, the Queen Ann Stakes. To-day the Irish may well have their most profitable afternoon of the week, for Gay Fandango, Lacey Curlew and Highest Trump and Blood Royal can all oblige.

The first probable winner for the Irish is the one-eyed Gay Fandango, bidding to give Vincent O'Brien and Lester Piggott another winner in the opening event, the Jersey Stakes (2.30). This chestnut son of Forti ran an outstanding race for a new-comer, when making rapid late headway to take fourth place behind Grundy in the Irish 2,000 Guineas a month ago; and although this seven furlongs will be on the sharp side for him, I expect the Forti colt to outclass his 13 opponents.

Thirty-five minutes later Ireland's much vaunted Lacey Curlew, a filly by Whistling Wind, out of Windfield Lily, seems certain to go to post at

GARDENS TO-DAY

New guide to indoor plants

BY ROBIN LANE FOX

GARDENING, I am often telling you, is most enjoyable when you are growing new and unfamiliar plants, but if you do not know where to find the best behind those inscrutable Latin names, there are three options open to you, assuming that your sense of adventure does not die away for the sake of a little effort and ingenuity.

You can trust the choice of a nurseryman or, more dubiously, his catalogue whose function, after all, is to persuade you to buy its contents.

Uninformative

If you think that that is an unworthy comment, wait until next autumn's bulb catalogues arrive and then ask yourself whether the captions which advertise variety after variety of daffodils and tulips are not the most uninformative and indistinct of all attempts at marketing, granted that the new "easier-to-pay" slogan for higher fares is not a marketing device and that you would go a very long way not to take a train to the beach, at the end of the new rail-shrinking away-day tickets, at least until she decides to put a bra on under her dreamy summer sweater.

New wishes

I would not suggest that they can teach you in this book how to grow good Schizanthus or to please the King Protea, a specialist greenhouse which is listed here with its absurd alternative name of the Honey-pot Sugarbush. But they will leave you with a hundred new wishes and wants for your greenhouse, not all of them unrealistic or too expensive to acquire and maintain.

They also illustrate best the plants I like most. You could plant up a very pleasant garden indeed by choosing only the plants to which the Dictionary of Garden Plants did not do photographic justice. But if you have signed recently as I have referred to unknown names like Mandevilla, Tibouchina or Lapageria and wondered how to share an enthusiasm for green-house flowers which can only be said to be "indescribably beautiful," this new Dictionary will quicken your interest.

Maybe you cannot smell the Mandevilla, so I will have to continue to call its scent indescribably jasmine-like, but one glance at the full-page photo of Lapageria should at least send you in search of this glorious chamber, slightly over-coloured in its photograph but very romantic for its link with Napoleon's lady

A pretty annual

It is easily repeated that its thin tubular red flowers like an imitation of a carnation as already glowing to attract a child to the darker part of the ash, at a distance. You will not believe this, and the Dictionary's photograph, altogether persuasive, will believe my word. Cuphea is a most pretty annual for a cool or summer border. A graph can cut out over the times, but there are occasions when a column has its index

Cigarette-filter company plans redundancies

BY OUR NEWCASTLE CORRESPONDENT

CIGARETTE COMPONENTS was yesterday consulting unions over plans for redundancies among 1,600 workers at its Jarrow factory, which makes filter tips.

The firm, which put workers on a four-day week a month ago, said that reductions in the number of employees in supervisory, administrative and process jobs would be necessary.

A redundancy figure of about 200-300 has been suggested. Cigarette Components had originally hoped that short-time working would be only temporary but in a statement yesterday they said: "Our customers have now informed us there is campaign."

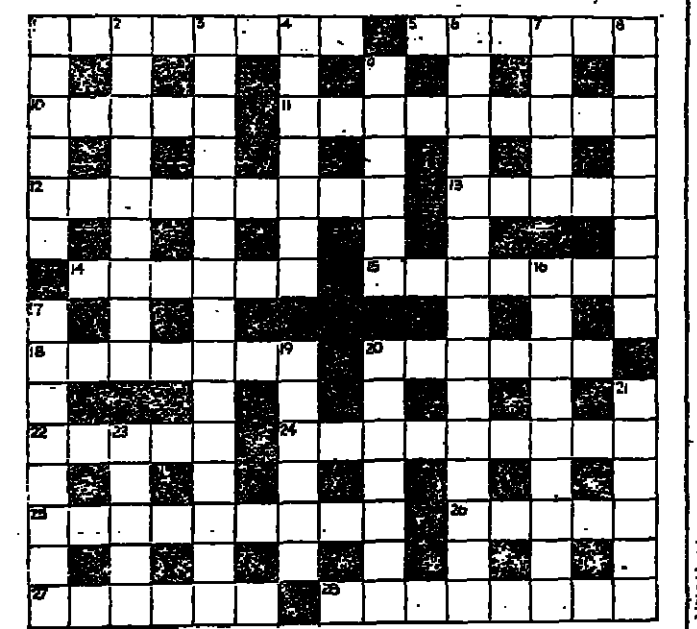
TV Radio

BBC 1

Indicates programme in black and white.

9.25 a.m. For Schools, Colleges, 10.45 You and Me, 11.00 For Schools, Colleges, 11.20 Prudential Cup semi-finals, 11.40 For Schools, Colleges, 12.00 Cricket: Prudential Cup semi-finals, 1.30 p.m. Fingerbobs, 1.45 News, 2.00 For Schools, Colleges, 2.40 Cricket: Prudential Cup semi-finals, 3.55 Regional News (except London), 4.00 Play School, 4.25 Vicky Races, 4.35 Jackanory, 4.50 7-Shed, 5.15 Yoo, African Prince, 5.40 Roobarb, 5.45 News, 5.50 Nationwide.

F.T. CROSSWORD PUZZLE No. 2,806



- ACROSS**
- Express incorrectly has girl going to gallery (8)
 - Creature to feign death after fight (5)
 - Fast time gets round slowly (5)
 - Designer engaged at Chequers to hear (8)
 - Carpet to deck with fluff (16)
 - Currency with an honest sound (5)
 - Game in which to gain advantage after forty (6)
 - He swears he's a soldier (7)
 - Pool for instance to carry first class spear (7)
 - Mother and child bearing fruit (5)
 - Corn from tropic reaches holiday Isle (5)
 - Rock from the seaside beaches has added quality (9)
 - Being blown about on foot (2, 3, 4)
 - Rustic piece upset half of Piccadilly (6)
 - Two counties briefly like the Sunday magazines (6)
 - Drug near to achieving splendour (8)

- DOWN**
- Complaint from master to mistress (6)
 - Not conscious of being silly (3)
 - Classic example of hundreds of fowls (8, 7)
 - Boring Edward with debts (7)
 - Not working from percentage (3, 2, 10)
 - Dance with a doctor in South Africa (5)
 - Quarantine treatment settled on the mail (8)
 - Customs permit for vehicle to clear (8)
 - Model paid player to use office machine (9)
 - Fishing is infectious (8)
 - Put in mind of fashionable list maybe (8)
 - Stripper could come to a rude end (7)
 - Dickensian character in better health (8)
 - Irishman one ought to court (5)

BBC 2

10.40 a.m. Open University, 10.55 Nat Zindagi Naya Jeevan, 11.00 Play School, 11.25 Cricket: Prudential Cup semi-finals, 1.40 Cricket: Prudential Cup semi-finals, 2.00 Newsday, 2.45 Rugby Special: New Zealand v. Scotland, 3.10 The Ascent of Man, 3.40 Party Political Broadcast on behalf of the Conservative Party, 4.05 The Poisoning of Charles Bravo, 10.20 Wimbledon '75: The Players, the Prospects, 10.50 Don't Quote Me, 11.15 News Extra, 11.24 Countdown: William Squire reads "Inexpensive Prose" by Sir John Betjeman.

LONDON

9.20 a.m. Schools Programmes, 12.00 Mr. Trimble, 12.15 p.m. The Adventures of Rupert Bear, 12.30 Mr. and Mrs. 1.00 First Report, News, FT index, 1.20 Lunch-Time, 1.30 The Amazing World.

RADIO 1

9.30 Stereo Music broadcast, 4.30 a.m. News Summary, 4.40 a.m. News Summary, 4.50 a.m. News Summary, 5.00 a.m. News Summary, 5.10 a.m. News Summary, 5.20 a.m. News Summary, 5.30 a.m. News Summary, 5.40 a.m. News Summary, 5.50 a.m. News Summary, 6.00 a.m. News Summary, 6.10 a.m. News Summary, 6.20 a.m. News Summary, 6.30 a.m. News Summary, 6.40 a.m. News Summary, 6.50 a.m. News Summary, 7.00 a.m. News Summary, 7.10 a.m. News Summary, 7.20 a.m. News Summary, 7.30 a.m. News Summary, 7.40 a.m. News Summary, 7.50 a.m. News Summary, 8.00 a.m. News Summary, 8.10 a.m. News Summary, 8.20 a.m. News Summary, 8.30 a.m. News Summary, 8.40 a.m. News Summary, 8.50 a.m. News Summary, 9.00 a.m. News Summary, 9.10 a.m. News Summary, 9.20 a.m. News Summary, 9.30 a.m. News Summary, 9.40 a.m. News Summary, 9.50 a.m. News Summary, 10.00 a.m. News Summary, 10.10 a.m. News Summary, 10.20 a.m. News Summary, 10.30 a.m. News Summary, 10.40 a.m. News Summary, 10.50 a.m. News Summary, 11.00 a.m. News Summary, 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Albery

The Gay Lord Quex

by B. A. YOUNG

The plot cracks a bit as it goes into action, no doubt about that. But once it gets going it swings along happily, each little climax followed by a sudden counter-climax as if Pinner had cunningly decided to switch our sympathies a different way. There are moments when people are hopping in and out through windows, but the best scenes, such as the confrontation between Quex and the manicurist Sophie Fullgarny in Act 3, are true descendants—mutatis mutandis—of Restoration comedy.

The Marquess of Quex, a 48-year-old roué, is engaged to pretty young Muriel Eden. The match displeases Sophie, not only because Quex is too wicked a man for her, but also because Muriel is having a clandestine affair with a lovely young officer, Napier Bastling, so she decides to disgrace Quex by contriving to have him discovered in some naughty infidelity in spite of his pretended reform. The handiest third party is Quex's former mistress the Duchess of Strood, but if this manoeuvre won't work, no doubt some other manoeuvre will.

This simple story is embroidered with as many false trails as the maze in Hamlet. The Court, set among an abundance of pretty supporting characters—there are 20 in the cast of this production, the latest in the now-established tradition at the theatre of lavishly mounted revivals. They range from the aged Countess of Owbridge, played by Hilary Barry with the most convincing Victorian accent of the lot, to the girls and the unnamed customers of Miss Fullgarny's manicure establishment, which is used by the aristocracy like a hotel in a Feydeau piece.

Judi Dench's Sophie is the hinge on which the whole thing turns as she seduces a male servant from Molière as she intimates with her betters as she

is with her equals. It is an entrancing performance, as she faces up to Daniel Massey's big King Charles, spouting Sir Philip's impenetrably polished Duchess point for point, lets her hair down to show her Cockney origin with her equally Cockney fiancé Mr. Valma, the fashionable palmer. Sophie is, certainly by the standards of 1899, a wicked young woman, but Miss Dench ensures that we are on her side whatever she is doing and she is never wicked except in a good cause.

Miss Phillips is the very pattern of a dramatic aristocrat of the time, wearing Beatrice Dawson's beautiful clothes as if they were the height of today's fashion, moving her arms with the grace of an amorous octopus. What a thrill it must have been at the turn of the century as she and Mrs. Jack (Margaret Ward) smoked cigarettes together in her bedroom! "There are awfully pleasant cigarettes," no doubt the words fell with as much shock then as if they had been opium: to do shocking things and make them pretty is the special privilege of stage gentility.

Daniel Massey shows nothing of the rôle in his smooth courtesies, but when you come to think of it he does little in the play to justify his reputation for naughtiness. When he is driven to naughtiness by circumstances, he maintains his well-bred amiability. His rival in the now-established tradition at the theatre of lavishly mounted revivals. They range from the aged Countess of Owbridge, played by Hilary Barry with the most convincing Victorian accent of the lot, to the girls and the unnamed customers of Miss Fullgarny's manicure establishment, which is used by the aristocracy like a hotel in a Feydeau piece.

In Alan Tagg's three resplendent sets and Miss Dawson's beautiful dresses, the whole thing is a bath of luxury well calculated to keep our minds off the sordidness of the plot. The production is by John Gielgud.

Aldeburgh Festival

Plomer celebration

by MAX LOPPERT

A truly festive Festival event was Sunday evening in the Jubilee Hall, spent with the writings of the late William Plomer. Aldeburgh has good reason to remember fondly the librettist of Britten's *Glorian* and *Church Porables*, and here did so with eloquence. Laurens van der Post, with his wonderfully gravely South African inflections, threaded the narrative of the poet's life, in its South African, Japanese and English phases: Jill Balcan and Colin Graham amplified the account with readings of prose and poem; and Peter Pezars and Orian Ellis gave some Plomer-worlded Britten.

To a compatriot of Plomer's and van der Post's, the most striking feature of the evening was the way in which the South African author of that country's first-ever indigenous outburst of anger against White iniquity, could away from native soil transform himself into the very middling Englishman of the collection like *Taste and Remember*. Plomer's hunt for Englishness was, as Mr. van der Post reminded us, a real inner compulsion; but a reading of "The Taste of the Fruit"—the elegy composed in 1965 on the death of the sort of the poet's cruelest victims, the poet Ingrid Jonker and the writer Nat Nakasa—showed that Africa revived the passion dormant in Plomer during so many years of moderate and civilised not-taken.

Plomer was the best of Britten's librettists. *Curlew River*—three of the Madwoman's plights from which were sung by Mr. Pezars with tone and words distilled to the essence of refinement—was the fruit of the "painfully eye" (a van der Post phrase) that Japan perfected in Plomer, and the new sparseness it incited in Britten. Apollo and Saint Narcissus, pagan and

Christian, were imaginatively contrasted by following Plomer's poems (written after Greece, and a painful love affair) with Britten's latest canticle, *The Death of St. Narcissus* Op. 89 (written in the poet's memory, to an early T. S. Eliot text and first given in Germany earlier this year).

The canticle, for tenor and harp, gives a first impression of dryness and containment, and also a hint of underlying depth and felicity that succeeding encounters should reveal. The opening of the poem, a sketch for *The Waste Land*, is quietly declared, in flowing, with the enigmatic implications of G sharp and A flat to lend a concealed, implicit

disquiet. A middle march-like section, in which the metaphors of the saint are narrated, deepens the sense of minute sensitivity to the reverberations of each word, held in a vocal line of little surface flourish or delights. A second new song-setting, Gordon Cross's of Stevie Smith and Robert Graves entitled *The Cool Web* for tenor and piano, formed part of another typical Aldeburgh event—the clarinetist Thea King's "Artist's Choice" concert on Monday evening—when the sort of the poet's cruelest victims, the poet Ingrid Jonker and the writer Nat Nakasa—showed that Africa revived the passion dormant in Plomer during so many years of moderate and civilised not-taken.

Plomer was the best of Britten's librettists. *Curlew River*—three of the Madwoman's plights from which were sung by Mr. Pezars with tone and words distilled to the essence of refinement—was the fruit of the "painfully eye" (a van der Post phrase) that Japan perfected in Plomer, and the new sparseness it incited in Britten. Apollo and Saint Narcissus, pagan and

King's Theatre, Edinburgh

Die Fledermaus

by ELIZABETH FORBES

Scottish Opera is celebrating the 150th anniversary of the birth of Johann Strauss II with a new production of *Die Fledermaus*, which was given its first performance on Saturday at the King's Theatre, Edinburgh.

David Pountney, who also produces, and Leonard Hancock, which sticks closely to the original text, and does not try to adapt—fata morgana—the dialogue for British consumption. Plenty of jokes remain, and some are interpolated.

including one splendid line in the accents of Barry McKenna. The setting is contemporary—1874, that is—and David Fielding has designed an elegant conservatory, somewhat reminiscent of the Palm House at Kew, for the party at the Villa Orlofsky.

Eisenstein's living room is an arrangement of curtains and furniture, while the chief item of furniture in Colonel Frank's jail is a lethal coffee machine, which is exploded just in time to let in the Prince and his champagne-bearing minions for the finale. Alex Reid's costumes are in the

very best mazowiec goût. Mr. Pountney relies on carefully observed characterisation. He never lets us forget that the title of the work is *The Bat*, and Thomas Hemsley's authoritative Falke, head shaven à la Koizumi, cloak flapping like a pair of monstrous wings, masterminds his revenge adroitly.

Catherine Wilson makes a very positive Rosalinde, the dominant partner, quite obviously, in the Eisenstein ménage. Stuningly arrayed in white at Orlofsky's party, she sings the *Cadriads* with tremendous attack and in

authentic-sounding Hungarian. David Hillman's Eisenstein is a genial, likeable fellow, who takes the theft of his watch by a foreign titled lady with good humour and philosophically accepts the irony of the Bat's revenge. Richard Greager is an amusingly extrovert and ebullient Alfred, with an up-to-date operatic repertoire. His Radames may be exciting. Patricia Hay's Adele, a bonny Scott lassie, is sure to succeed in her desire to tread the boards.

As Orlofsky, Ann Murray, looking about 14 years old rather than the 18 that the prince admits to, makes a convincingly blase and sophisticated youth, and sings with attractively plaintive tone. Michael Maurel is a benevolent Frank, courteous to everyone, including his prisoners, who keeps the ingredients for a prairie oyster ready to hand in his desk. John Lawson Graham's Froesch is the least tedious that I can recall (that is meant as a sincere compliment); he times his gags expertly.

The conductor is David Frame. He begins by playing the waltz rhythms straight, without much stress or hesitation. Gradually he builds up an irresistible momentum in his pacing and by the "Dui du" ensemble has generated the languorous feeling of a successful party that has been going on all night. The Scottish Philharmonia and Scottish Opera Chorus co-operate wholeheartedly, but the ballet is not really the type of entertainment a Russian prince would offer to his guests.

Television

Life's varied pattern

by CHRIS DUNKLEY

Three weeks holiday in darkest Wales without even a newspaper, let alone a radio or television set, can produce some odd effects. Back in London and resuming my nightly surveillance of the screen I catch myself comparing the artificialities of urban life with the naturalness of life in the country. In my mind television becomes an exclusively urban phenomenon, and life in the country seems to consist of nothing but reading books, and observing the life cycles of the jackdaw and the starling.

Obviously I am not alone among modern city dwellers in wanting to preserve an image of country life as a timeless cyclic idyll; television itself has proved this with the success of such series as *Out of Town* or *Country Matters*. What one forgets in returning from a holiday in the country to work in the town is that the people who live and work permanently in the more remote areas of our country spend their lives knocking jackdaws' nests out of their chimneys, patching up the eaves which have been destroyed by starlings—and complaining long and bitterly to anyone who will listen that television reception in their area is so bad that, really, it's hardly worth even trying to watch *Kojak* (the ghost of which, nevertheless, they continue to watch avidly).

Ian Breach, sometime motoring correspondent of *The Guardian*, brought home this paradox most strongly to me on my first day back with his contribution to the BBC1 series *Choices For Tomorrow*. A year ago he moved from north London to Milburn, a village of 200 people which—photographed from the air, anyway—still looks like a medieval community with all its houses and other buildings facing inwards on to the village green.

The trouble, as Ian Breach said, is that the big brewery has closed down the village's last pub; there are so few children now that the family-grouped primary school is in danger of a forced amalgamation; the sewage works is not large enough adequately to handle animal refuse; the village's electricity supply from the national grid is inconsistent; and so on.

Breach has a useful instinct for illustrating the general by reference to those particulars which are, as it were, his own and which he has himself moved from town to country he must be losing that authentic Flinch which is the heart of the matter. It is not a pantheist poem by Wordsworth.

Persuaded by his programme that wherever I was I should want to be somewhere else, I started picking up the strings which such a life would have. I discovered that I could not pick up *Six Days of Justice* at all since the series had come



Timothy West and Helen Ryan in 'Edward the Seventh' (ATV)

to an end and been replaced by another series of Granada's *Sons*, which writer John Flinch has now moved into the 1950s.

Short of staying in its original period, there was nothing else that could happen, of course, and I am quite sure that the '50s are the up-and-coming decade (not only in terms of television drama, but for furnishings and clothes: '50s pop songs are already back in fashion). Nevertheless, this episode suggested that the series has lost its magic, its value as a historical document, its authenticity—or the impression of authenticity.

I was never very happy even about the first series, but now, in losing that authentic Flinch which is the heart of the matter, it seems to have mislaid everything else that counted. There is an increased tendency for the dialogue to sound stilted: "I've felt a primitive need for vengeance ever since it appeared," in losing that authentic Flinch which is the heart of the matter, it seems to have mislaid everything else that counted. There is an increased tendency for the dialogue to sound stilted: "I've felt a primitive need for vengeance ever since it appeared,"

Another string I managed to pick up on the same night was that of *Churchill's People*, which at all since the series had come

ICA Theatre

Sweet Talk

Two years after its first production in the Theatre Upstairs, Michael Abemey's wry and bawling comedy groves well worth a second look. Cooped up in a Shepherd's Bush bed-sit, a West Indian couple are driven apart by a combination of circumstances and selfishness. Tony's career in accountancy is temporarily shelved as he heaves away constructing record players. Rita, parted from her first child who is back in Trinidad and on the verge of losing her second in the womb, is a quiet and wounded woman, not in the kitchen or on her way to hospital.

Structurally, the piece might appear to be an old-fashioned domestic drama, but the writing, full of idiomatic vigour, never allows this. I feel, too, that Donald Howarth's production improves on the original in its lyrical insistence on the truth of the love between Tony and Rita. The original Rita, last played by Mona Hammond, was an arresting vision of physical defeatism. Cleo Sylvestre is less powerful an actress, but she plays with charm and sincerity.

Her Tony is played with inimitable comic resource by Stefan Michael. Abemey's wry and bawling comedy groves well worth a second look. Cooped up in a Shepherd's Bush bed-sit, a West Indian couple are driven apart by a combination of circumstances and selfishness. Tony's career in accountancy is temporarily shelved as he heaves away constructing record players. Rita, parted from her first child who is back in Trinidad and on the verge of losing her second in the womb, is a quiet and wounded woman, not in the kitchen or on her way to hospital.

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MICHAEL COVENEY

Studio 4/Nigel Greenwood

Bottarelli/Jacklin

by WILLIAM PACKER

Although the areas around Bond Street and St. James's are still effectively London's Art World, and those of us interested in painting and sculpture could fill our time quite happily and yet stray no further afield, there are, nevertheless, very many galleries a short way off that repeatedly more than repay the small effort spent in visiting them. Indeed some enjoy an international reputation, and should be already on our own lists of places to visit regularly.

There are others at the heart of things, but tucked away along passages and up stairs, that you never would know existed unless you were told where to look. Our indolence and myopia combine, unfortunately, to the disadvantage of these galleries and the artists whose work they show, and we lose too, for we miss a lot. Three episodes and then pick up the strings again with no trouble at all.

There was no difficulty about discovering where television's social conscience had been during its absence: it reappeared on cue in Granada's *World in Action*. Thames's *This Week* and BBC1's *Midweek* W.I.A. showed us homosexuals in Newport. Pagnell "coming out" and if that appears to have all the constituents of an involved joke, forget it because it will be another four or five years before we are allowed to resume making as many jokes about homosexuals as about heterosexuals; for the moment homosexuals are definitely more equal than anybody else.

This Week showed Jonathan Dimbleby investigating the slums of Glasgow, showing that it was not lack of understanding that perpetuated them so much as sheer inertia on the part of the council which has never got round to discussing the reports on the situation made by its own officers. This programme on one "cycle of deprivation" and *Midweek* on another, involving institutionalised children growing into adults whose offspring need similar institutional care, were both professionally well made (though in two quite distinct styles) and both showed sympathy from any liberal, any humanitarian, any social democrat—yet I was wondering by the end of the week about their effect.

After his report on the disaster in Ethiopia Jonathan Dimbleby made an appeal and raised large sums of money for relief. He can hardly do that (presumably) for the Glasgow slum dwellers. Yet there is very little ground for supposing that the publicity alone will achieve anything: years after *Cathy Come Home* we have more Cathys than ever. In spite of all the attention created by the programme, which is not to say that such programmes should not be made, written for such rapid moving but merely to wonder what series as *The Saint* and *The* would get results.

These latest paintings mark the adoption of oil paint as his medium, which he applies in a thick impasto, a legacy from some recent experiments with wax. The colour is hot, rather dark and close-toned: heavy crimsons, oranges, greens and blues. It is very English painting, but of a particular kind, being close in feeling to the romantic expressionism of the later Bonger, and his Camberwell followers. But there is another, somewhat contradictory affinity, for the formal structures which support it, the fractured imagery and the diagonal shift, they all recall Vorticism. Bonger again.

Of course these are not overt influences, but the quality at least is conscious. The paintings are founded upon two grids, one vertical, the other imposed diagonally across it. As the paint builds up, so the grid breaks down, growing ever more ambiguous. The process is steady and almost implacably regular by which a dense, rich and apparently intuitively stated image accrues. And Jacklin is happy to leave all the evidence clearly visible, each painting the diary of its own achievement.

In what direction does he move next, and how far? These questions remain unanswered for the moment, with doubt left hanging in the air along with a certain amount of re-assurance. Jacklin has opened up his work considerably. It is much less complete than before, more open-ended; yet still he leaves very little to chance. The freedom of the handline is largely illusory, each brush-mark put on with extreme deliberation and self-possession. The paintings that result are beautiful enough, and certainly very accomplished, but until he can bring himself to trust his intuition, we shall not know how much more they have to offer.

An 'OBIE' for Ian Trigger

Ian Trigger, who is currently playing Argente in *The Young Vic* production of *Scapino* in America, has been awarded the OBIE Drama Award for his performance as Squire Jonathan in *The True History of Squire Jonathan* and his *Unfortunate Treasure*, by John Arden, which was presented off Broadway as a week-end production during the New York run of *Scapino*.

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WORLD TRADE NEWS

Swiss 'Roskopf' watch sales fall 42%

By John Wick

ZURICH, June 17

PROSPECTS OF the Swiss 'Roskopf' industry for the current year are considered "unfavourable and uncertain" by member companies of the Biennese-based trade body Association d'Industriels Suisses de la Montre Roskopf. Almost one-half of Swiss watch exports are made up of lever watches, which are subject particularly to the effects of international recession. For the whole of last year exports fell only 1.5 per cent in volume terms to 40.4m finished watches and movements, with a 7 per cent rise in value to Sw.Frs534m (\$53m). But the first quarter of 1975 showed a drop in export volume of over 40 per cent in comparison with the same period of 1974, with value lower by 38.2 per cent. Some 89 per cent of production is sold for export. At the end of last year two-thirds of the member undertakings booked orders in hand for only one to three months' production, while in the fourth quarter over 40 per cent of all companies had large stocks on hand.

Trinidad plan for smelter 'in jeopardy'

By Our Own Correspondent

PORT OF SPAIN, June 17

THE PROPOSAL for a 300,000 tons-a-year aluminium smelter in Trinidad owned jointly by the Governments of Trinidad and Tobago, Jamaica and Guyana has been put in serious jeopardy by the decision of Jamaica and Surinam to supply alumina for expansion of the existing aluminium smelter in Venezuela. In a speech at a special convention of the ruling Peoples' National Movement, called to discuss the recolonisation of the Caribbean, Dr Eric Williams, Prime Minister of Trinidad and Tobago, said he viewed the arrangements Jamaica and Surinam had made with Venezuela as "a calculated attack on the smelter project announced by the three Caribbean Governments". Venezuela plans to expand its current aluminium capacity from 55,000 tons-a-year to 330,000. Jamaica agreed—subsequent to the arrangement with Trinidad and Guyana—to supply alumina and bauxite to the Venezuelan smelter.

Dr Williams said he had decided to take no further part in discussions about the Trinidad smelter. "I have passed the aluminium baby to the Minister of Industry and Commerce, who has directed his staff to reappraise the project," the Prime Minister added.

'NO SUBSTITUTE FOR LOCAL CONTACTS'

By Our Merseyside Correspondent

One of the major reasons turned by the 18-member trade mission to Iran organised by the Merseyside Chamber of Commerce and Industry was that there is no substitute for frequent visits of senior executives if British business is to compete successfully with strong foreign competition, much of it based on traditional commercial links. The mission found a fund of goodwill towards Britain, which, it says, should make the task of breaking into that lucrative market much easier. All the members succeeded in making valuable contacts on which to build, and many have expressed their intention of paying an early return visit to Iran to appoint suitable agents for joint ventures with Iranian partners. Among the industries represented were steel construction, industrial belting, scaffolding and building, motor accessories and sports equipment.

Contracts Abroad

BABCOCK AND WILCOX CANADA will build two coal-fired boilers costing \$20m. for a 150MW electric plant at Mae Moh, Thailand.
CAPPERNEILL INTERNATIONAL is undertaking repair and maintenance work costing \$2.5m. on four oil storage tanks at Jebel Dhanna, Abu Dhabi.

Planning starts on Soviet-German Kursk steel plant

BY LESLIE COLT

BERLIN, June 17

PRELIMINARY PLANNING has begun by the West German Government-owned Salzgitter AG on the largest post-war deal between West Germany and the Soviet Union. The integrated steelworks at Kursk, in Western Russia, will take some eight years to construct and will be worth DM70m (\$132m.) to the consortium of Salzgitter, Korf Stahl and Fried. Krupp.

The first phase of the work by the West Germans is to start in late autumn next year, according to Hans Birmbaum, chairman of Salzgitter, a steel engineering and shipyard group. He spoke at a recent news conference held with Mr. Vladimir Novikov, deputy chairman of the Soviet Council of Ministers and head of the Soviet side of the German-Soviet Joint Economic Commission, which had its latest meeting in Bonn. Mr. Novikov said the Soviets were already starting work on the infrastructure for the project.

The West Germans will deliver the pre-planning to the Soviets by the end of next year, according to Mr. Birmbaum, before orders can go out to suppliers. Salzgitter says that at that point other European companies could also get orders for the Kursk project.

Among the principal elements of the steelworks are a pelletisation plant for converting iron ore into pellets, a direct reduction plant to produce iron sponge without blastfurnace smelting,

electric furnaces and a continuous casting plant for semi-finished products as well as rolling mills.

The Kursk group holds a world licence for the U.S.-developed direct reduction process, and Kursk will be the world's largest steel plant based exclusively on that process.

Although the Soviet Union originally wanted credits for the project at lower rates than the West Germans were prepared to finance, the first stage they agreed, they had to pay for the credits with deliveries from output from the new plants.

Negotiations are to begin next year on future Soviet deliveries of iron pellets and semi-finished products to West German mills. Last year Salzgitter exported \$50.0m. tons of rolled steel to the Soviet Union, and expects to deliver the same amount this year.

Salzgitter is also in charge of the engineering in a consortium of companies which are shortly to begin work on a DM180m. (€34m.) plastics factory at Lake Balkal, in Siberia. The company currently has DM300m. (\$56m.) worth of chemical plants now under construction in the Soviet Union.

The news conference disclosed that the Soviet Union is interested in buying factory fishing vessels from the Salzgitter-owned Howaldtswerke-

Deutsche Werft AG. Firm orders are expected to be announced early next year after the start of the Soviet Union's Five-Year Plan, but reports are circulating that the orders could be worth some DM10m. (\$18m.).

Mr. Novikov criticised the rates for West German credits as being too high and tied to specific projects. He said 7 per cent was an acceptable rate to Moscow. On the planned construction by the West Germans of a nuclear power plant at Kaliningrad, North Western Russia, the Soviet official explained the negotiations were still at an early stage.

Energy from the plant would be delivered across Poland and East Germany to West Berlin and West Germany. The West German Government wanted to make sure electricity could be supplied to West Berlin from West Germany over the same lines that cross East Germany in the event of stoppages from the electricity plant in the East.

Japanese Press reports yesterday in Tokyo indicated that the Japanese Government was studying the timing of increases since early this year to help cover higher production costs.

Singapore's Keppel ship-repair yard optimistic on outlook

BY OUR OWN CORRESPONDENT

SINGAPORE, June 17

SINGAPORE TO-DAY launched a \$152m. bearer bond on the long-standing Asian dollar bond market to finance expansion at Keppel Shipyard. It is the first Asian dollar bond issue since Orient Leasing's private placing in December, 1973, and the first to include Middle-East underwriters. It is a mark of the Singapore Government's eagerness to maintain foreign confidence in Singapore's ship-repairing industry.

The seven-year bond, unsecured but guaranteed by the Singapore Government, is at a coupon rate of about 9 per cent, with mandatory redemption at the end of the last four of the seven years.

The issue will finance Keppel's new 150,000 dwt drydock at its projected Tuas shipyard in Jurong industrial estate. The first phase of Tuas is scheduled for completion in mid-1977 at a cost of about \$70m. (\$135m.). Keppel, formerly a

wholly Singapore Government-owned enterprise with Swan Hunter International as managing agent from 1968-72, went public this year. It already has six drydocks with up to 40,000 dwt capacity.

Mr. George Boggars, the chairman, who is a senior Singapore civil servant, today rejected pessimism about the shipping industry.

Even if UNCCO's and ULCC's faced a decline in demand, product carriers could boom, he declared. With the reopening of Suez, "it will become profitable for shipowners to trade off the savings achieved by using the Suez Canal against employing smaller tankers within the range of the new Keppel drydock."

Mr. Boggars revealed that Keppel intended going into shipbuilding in the Philippines in partnership with local investors. He gave no details, but added that investment proposals in a shipyard had been submitted to the Philippine Board of Investment, and were expected to be approved shortly.

To-day's morale-boosting exercise, however, was in sharp contrast with the gloominess that greeted Mr. Lee Kuan Yew, the Singapore Prime Minister, when he opened Sembawang shipyard's new 400,000-ton drydock last month.

"We cannot afford to prove ourselves out or some other lower wage centre will be developed as a ship-repairing base to replace us," Mr. Lee stated. "Let us not forget that productivity in Japan, Taiwan and Hong Kong is higher because of higher skills and harder work."

He pointed to the dangers of the VLCC tanker tonnage surplus of likely competition from Mediterranean shipyards following the reopening of Suez, and of a reduction in tanker demand likely to follow the oil discoveries in the North Sea and Alaska.

Japanese mission in Greece

ATHENS, June 17

A 34-MEMBER Japanese trade mission arrived here to-day for a week's visit to promote trade relations between Greece and Japan. It is led by Mr. Eiji Yamagata, advisor of the Long-term Credit Bank of Japan, and includes four representatives from the Japanese Ministry of International Trade and Industry.

Companies represented include Mitsubishi, Nissan, Sumitomo, C. Itoh, Ishikawajima-Harima and Kawasaki. The delegates will have talks with Mr. Panayotis Papaligoras, Minister of Co-ordination, and the purchase of Greek industrial products.

Export Contracts

HERBERT MACHINE TOOLS will manufacture equipment worth \$500,000 for Iran Tractor and Tractor Company, further expanding Herbert's interests in the expansion of Iran's machine tool industry.

BORG WARNER will supply refrigeration compressors worth \$500,000 to Occidental International Oil for installation in Libya.

MALCOLM MOBILECAL is manufacturing military radio communications equipment worth \$2.5m. for the Malaysian Defence Ministry.

BRITISH STEEL CORPORATION is supplying electricity transmission poles worth \$1m. to the Nigerian Electric Power Authority.

LAKELAND GREEN SLATE AND STONE is supplying English slate costing \$4000 for the Sultan of Oman's new palace at Salalah.

ELJN (INTERNATIONAL), Marjayat Group, is providing for 22m. power generation and distribution, lighting, air conditioning, water supplies and

baggage-handling equipment for Abba airport, Saudi Arabia.

MOLINS is now making dual filter tobacco machines valued at \$300,000 for Japan on completion of a similar order worth \$400,000.

AGA NAVIGATION AIDS, Brentford, Middlesex, is supplying tidal telemetering equipment worth \$70,000 to facilitate quick turnaround of vessels in ports in Kuwait, Abu Dhabi and Iraq.

COHEN BROTHERS (ELECTRICAL), Manchester, will provide for \$140,000 steel street lighting columns and transmission poles to Denmark and Norway.

FIBERTECH CONSULTANTS, Fleet, Banks, will provide equipment and services for a 4,000 tonnes-a-year glass fibre plant to be built near Skopje, Yugoslavia, for commissioning in mid-1977.

Lakeland Bros. has arranged a \$3m. loan by National Westminster and Williams and Glyn's Bank with ECGD backing.

HUNTING GEOLOGY AND GEOPHYSICS is making an oil exploration survey over 200,000 square miles of northern Sudan for Chevron.

IN BRIEF

Nigerian glass

Nigeria's Lagos State Government and a Hungarian concern have agreed jointly to establish a \$24m. glass factory at Badagry, near Lagos, an official spokesman said. Production would be 6,000 tonnes of glassware annually.

U.S. textile imports

U.S. textile imports fell 21 per cent overall in January-April, but arrivals from Japan, Taiwan and South Korea continued to show substantial gains. Imports were just over 1m. square yards of fabric and other textile products, worth \$844m. Exports of U.S.-made textiles and apparel fell 19 per cent in the four months to \$622m.

Sony videotape

Sony is to market in Japan from July 10 a vide tape recorder Betamax Video-deck SL-7000, incorporating a TV tuner, in home use. It can be connected to any standard colour TV set, timer, video camera or microphone without set modifications. Price: Yen 298,000 (\$448).

ECGD support

ECGD has guaranteed a \$10m. loan to the Egyptian Government for the construction of a \$10m. steel plant and equipment for Granges and its subsidiaries. Also backed is a \$1.5m. loan by the Bank of London to the Egyptian Government for the construction of a \$1.5m. steel plant and equipment for Granges and its subsidiaries.

Gulf telex

Cable & Wireless is to install a \$500,000 computer-controlled telex exchange in the Gulf. The exchange will be operated by Cable & Wireless, U.S. to the Gulf, and will provide service in July 1976. Gulf traffic growth is at present almost double annually.

Irish gain orders

Order worth \$1.25m. have been gained by an Irish Export Board mission to the north-east of England, procuring building equipment and supplies.

Hong Kong textiles

Hong Kong Commerce and Industry Department has accepted an EEC proposal to resume talks in Brussels on July 7 on an agreement to limit the country's textile exports to the EEC.

Foreign car sales again lower in Canada

BY OUR OWN CORRESPONDENT

TORONTO, June 17

RETAIL SALES of new motor vehicles in Canada increased for the fourth successive year in 1974 to a record 1,249,394 units, with a value of \$6.5bn. (\$2.85bn.) according to final figures from Statistics Canada.

However, the overall rise of 1.8 per cent in units sold and 10.2 per cent in value was a sharp slowdown in growth when compared with rates of 15.1 per cent in 1973, 13.3 per cent in 1972 and 15.1 per cent in 1971.

Value increases, respectively, were 24.5 per cent, 21.4 per cent and 28.3 per cent. Sales began to taper off by mid May, and sagged in the final quarter to 30,000 below a year

earlier.

Passenger car sales brought 4.7 per cent more revenue at \$4bn. (\$1.7bn.) for 2.3 per cent fewer units sold at \$42,797. Car sales turned 88 per cent of all registrations.

Cars manufactured in Canada and the U.S. fared better than imported models as North American makers expanded their market share by 3.9 percentage points to 84.5 per cent in 1974. Purchase of imported passenger cars continued to decline, falling 1974, with Japan suffering the sharpest setback, dropping 15.6 per cent in value over the year to \$301m. (\$129m.) for 87,609 units (111,467 in 1973).

Sales of European passenger cars declined by 7.3 per cent in value to \$261m. (\$112m.) as volume by 22.7 per cent to 58,338 units (76,447).

The average retail price for North American-built cars was 6.2 per cent higher last year at \$4,838 (\$1,988), and for European cars went up 21.5 per cent to \$4,675 (\$2,008). Japanese car prices rose 7.4 per cent to an average retail level of \$4,639 (\$1,902).

Sales of North American-built commercial vehicles were a record 287,688 units, worth \$1.6bn. (\$271m.). Imported commercial vehicles were only 1.2 per cent of the Canadian market.

AMERICAN NEWS

Study predicts strong rise in OPEC's surplus

BY GUY DE JONQUIERES

NEW YORK, June 17.

RECENT FORECASTS that the OPEC countries' aggregate current account surplus will turn into a deficit by the end of this decade are sharply disputed in a new study published by Walter J. Levy, the New York-based international oil consultant.

The study projects that, far from shrinking, the OPEC current surplus will rise strongly in 1977 and 1980 will still be equal to the estimated surplus this year, measured in current dollars. Moreover, it forecasts that the cumulative OPEC dollar surplus will almost quadruple between 1975 and 1980.

"From the standpoint of the oil-importing countries, the problem in the aggregate is likely to be rather more serious and of longer duration than suggested by some of the recent estimates, and will not be resolved for most countries even with the expansion of trade through OPEC imports. Recycling of oil dollars thus looks to be a persistent problem," the study warns.

Several large U.S. banks, including Morgan Guaranty and First National City Bank, have recently published reports projecting a steady decline in OPEC surplus. In taking the contrary view the Levy consultancy aligns itself closely—though apparently unwittingly—

with the numerical projections expressed in the latest World Bank analysis of the question submitted to the bank's Board last April.

The Levy study projects that the OPEC annual surplus, in current dollars, will rise from \$47bn. at the end of this year to \$73bn. in 1977, falling back to \$47bn. in 1980. Adjusted for anticipated inflation, the surplus in 1974 dollars is put at \$42bn. this year, \$57bn. in 1977 and \$30bn. in 1980.

The cumulative OPEC surplus is projected to rise from \$122bn. at the end of this year to \$264bn. in 1977 and \$448bn. at the end of 1980—almost twice the value of present world monetary reserves, put at SDR224.4bn. by the International Monetary Fund. Adjusted for inflation, the accumulated surplus is estimated at \$109bn. this year, \$206bn. in 1977 and \$388bn. in 1980.

A novel and important feature of the Levy analysis is its forecast that income from investments abroad will account for an increasing share of the current OPEC surplus. Overall, it forecasts that OPEC investment income could rise from \$7bn. this year to about \$30bn. in 1980, when it would account for 65 per cent of the projected current account surplus. There-

after, investment income would probably account for most of the OPEC surplus.

This income would be unevenly distributed, however. Though it offers no precise breakdown, the study anticipates that the bulk of revenues would accrue to countries like Saudi Arabia, Abu Dhabi and Kuwait, while relatively little would go to states like Iran, Algeria and Indonesia, which are pursuing intensive domestic investment programmes.

A central assumption of the Levy study is that the growth of OPEC import volume will slow to an annual rate of 15 per cent. during the next few years. It assumes that OPEC oil exports will rise from 26.5m. barrels per day in 1975 to 30m. next year and 32.5m. in 1978 and 1979, falling to 31.5m. in 1980.

A further critical assumption is that OPEC oil prices will rise approximately in line with the rate of inflation for OPEC imports, estimated at 12 per cent. in 1975 and seven per cent. annually in succeeding years. While not drawing a precise, mechanical link between prices of oil and imports, the Levy consultancy suggests that the OPEC countries' problems in making oil price rises stick should not be over-estimated.

CAR RENTAL BUSINESS IN THE U.S.

Making them try harder

BY GUY DE JONQUIERES, NEW YORK CORRESPONDENT

THE AIRLINE passenger arriving at any major U.S. airport has two choices if he wants to rent a car. He can opt for convenience and speed by patronising one of the big car rental companies with a counter in the airport building itself and a fleet of cars parked nearby. Or he can save some money by seeking out one of the smaller discount companies with offices somewhere on the airport perimeter and telephone for a driver to come and pick him up.

If the passenger is a businessman, armed with company credit cards but tied to a tight schedule, the chances are that he will go straight to one of the bigger companies with a service counter in the arrival lounge. His rental contract will be processed swiftly—probably by computer—and by the time his luggage comes rolling down the conveyor belt he will already have the car keys in his hand.

The relative advantages of these alternatives might seem clear enough. But last week the U.S. Federal Trade Commission took issue with the tactics of the "on airport" companies, as they are called in the trade. It accused the three biggest companies, Hertz, Avis, and National, of conspiring to monopolise the rental business at airports throughout the U.S. and of charging between 10 and 40 per cent more than their smaller competitors.

According to the FTC, the three companies in 1973 controlled 96 per cent of the "on airport" market—valued at more than \$500m. a year—and 100 per cent of that market at 20 large hub-city airports. It alleged that they achieved this position by colluding in the submission of bids for airport counter concessions. As a remedy, it proposed that the Big Three be barred from certain airport locations to permit the entry of competitors.

The Big Three have also been

accused of taking advertising subsidies from Detroit car companies amounting to as much as \$5m. a year each. According to Mr. James Halverson, director of the FTC Bureau of Competition, each firm has an "exclusive arrangement" with a motor company—Hertz with Ford, Avis with Chrysler, and National with General Motors. Whether or not the FTC's charges of collusion are substantiated, airports are indisputably a key element in success in the car rental business because they are virtually essential to any firm competing for corporate account custom.

with an army of rivals. There are some half a dozen national discount companies, often operating through franchises, plus several dozen regional rental concerns and literally thousands of local rental outfits across the U.S. From the customer's point of view the main distinction between them boils down to one of cost. It was this cut-throat competition for a volatile market that caused one of the bigger "off airport" chains, Budget Rent-A-Car, to come in from the cold recently. Using an aggressive marketing programme offering a standard rental change at

ture by International Telephone and Telegraph. Budget, which now ranks as number four, is owned by Transamerica, while Econo-Car, one of the larger discount firms, belongs to Westinghouse Electric.

Individually, however, the major companies have fared very differently. Hertz, with gross revenues of \$72m. in 1974, continues to enjoy an unchallenged position as number one. It does almost twice the business of Avis (1974 revenues \$37m.), and almost five times more than National (1974 revenues \$14m.). It has the largest fleet of rental

\$11.3m. in 1973. National, which ran a \$16m. loss in 1973, earned profits of \$4m. last year, the same as in 1972.

"We have to try harder," says the Avis slogan. But Avis's performance in recent months has not been helped by the uncertainties surrounding its future. In a sector marked by the prevalence of outside ownership, it is now something of an orphan. Technically, the majority of its shares are still owned by ITT, which was ordered to dispose of them by last September under an anti-trust settlement negotiated with the Justice Department. After ITT had failed to sell its interest, Avis was transferred to a trustee, who will decide its immediate fate.

Avis's difficulties have been made worse by special problems it lost a big lawsuit involving tax payments, it has faced heavy expenditures connected with its wizard of Avis computerised reservation and billing system, which has not been functioning properly, and it has been losing money on its Canadian affiliate, of which it took total control in 1973.

A number of companies have expressed an interest in Avis, among them American Express, United Airlines, Thomas Cook, and INA. But none has gone through with a deal, and the prospects for finding any new bidders are now distinctly clouded by the FTC's legal action, which could take years to reach a conclusion.

In the broader perspective, if the FTC succeeds in its objective of removing the Big Three from some major airport locations it could seriously weaken their hold on the corporate and business rental market. But Budget Rent-A-Car's move into airport locations raises questions about the effect of increased "on airport" competition on rental rates. To bring down car rental costs it may be the FTC that will have to try harder.

The Big Three have also been accused of taking advertising subsidies from Detroit car companies

most of its U.S. locations. Budget has won a number of corporate accounts and has opened up almost 90 "on airport" concessions in the U.S. within the past two years.

But Budget's increased overheads have been reflected in a rise in its rental charges to the general public, and its rates are now often closer to those of the Big Three than to those charged by the "off airport" discount concerns. The economics of Budget's venture tend to cast doubt on the FTC's contention that rental charges would be reduced if the big three were forced to yield some of their airport concessions to competitors.

A common characteristic of the car rental business is that most of the major firms are subsidiaries of larger corporations. Hertz is owned by RCA, National by Household Finance, and Avis is in the hands of a trustee, pending its compulsory divest-

vehicles in the U.S. and the most outlets, though industry insiders believe that it may now have been displaced in Europe by Avis.

Hertz does not stay number one by virtue of size alone. It is also an astutely managed company which has succeeded in avoiding many of the pitfalls that have troubled its competitors. For example, even before the Arab oil embargo in 1973 and the subsequent difficulties for car travel in the U.S., Hertz was already increasing the proportion of small, economical cars in its fleet. It has also set up its own retailing unit to sell off its older cars and benefited from the buoyancy of prices on the used car market last year.

Because of these and other shrewd decisions, Hertz increased its net profit to \$23.2m. last year from \$19.3m. in 1973. Avis, on the other hand, had a dismal year. Despite a 9 per cent increase of gross revenues, its net profit fell to \$4m. from

Cuba to return \$2m. hijack ransom to U.S.

WASHINGTON, June 17

IN A CLEAR attempt to improve relations with Washington, Cuban Prime Minister Fidel Castro has said that he will return a \$2m. ransom paid for a hijacked airliner in 1972.

Senator Sparkman, who is Chairman of the Senate Foreign Relations Committee, hailed the move as "a significant and positive step towards the normalisation of relations between our two countries."

Secretary of State Dr. Henry Kissinger yesterday said that America was ready to reciprocate any friendly moves by Dr. Castro, but did not mention the ransom. The U.S. is relaxing its Cuba policy and is ready to vote at a special session of the Organisation of American States (OAS) next month to allow member-states to open trade and diplomatic ties with Cuba if they wish.

Ford says economy 'on its way up'

BY PAUL LEWIS, U.S. EDITOR

WASHINGTON, June 17.

PRESIDENT FORD made another confident prediction today that the worst of the American recession is now over—despite yesterday's announcement that industrial production fell for the eighth consecutive month in May.

Although the President acknowledged that some indicators were likely to remain unsatisfactory for several months to come, he told a businessmen's conference here that: "I am confident that we are at the bottom of the slide, and we will soon be on our way up."

To support his view, the President ran through the indicators which currently suggest the recession may have hit bottom already and now be preparing to reverse itself.

He pointed out that new orders for plant and equipment were up 15 per cent in April over March and that housing was at last showing signs of recovery, with a 27 per cent rise in new build-

ing permits during April. Total employment rose by half a million between March and May, even though there was a rise in those out of work. Inflation was now running at half last year's 12 per cent rate.

Nevertheless, while few doubt that the economy's downward course is nearing an end, there is much debate among economists at the moment about the speed and strength of the ensuing recovery. While the Administration remains convinced that the second half of the year should see a clear upturn develop, there are others who fear further inventory reductions and shaken business confidence will keep the economy on a plateau into next year.

AFDI adds: The director of the Council on Wage and Price Stability says that he expects wage increases in 1976 to continue to be larger than price rises.

Court allows scare leaflet

BY JAY PALMER

NEW YORK, June 17.

NEW YORK City's angry municipal union leaders have received court approval to distribute their "Fear City" warning leaflet to visiting tourists. Arguing the First Amendment's guarantee of free speech, the State Supreme Court late last night unanimously threw out Mayor Abraham Beame's restraining order which had temporarily prohibited off-duty city employees from handing out the four-page scare leaflet at airports, bus terminals and hotels.

Entitled "Welcome to Fear about 2m. copies exist.

City—a survival guide for visitors to the City of New York." The leaflet's cover is dominated by a drawing of a shrouded skull. It warns visitors that safety personnel to protect against crime and fire have been drastically cut back, and urges readers "to stay away from the city."

Despite the court victory, the city's unions this morning indicated that they would not immediately begin full scale distribution of the booklet, of which

Mariana votes to join U.S.

SAIPAN, Mariana Islands, June 17.

THE PEOPLE of the coral-reefed Mariana Islands in the Western Pacific to-day voted heavily in favour of becoming American citizens.

The Islanders, voting in a plebiscite held under UN scrutiny, came out 76 per cent in favour of Commonwealth status within the American political family.

Reuter

Texaco accused in Venezuela

BY OUR OWN CORRESPONDENT

CARACAS, June 17.

THREE VENEZUELAN Congressmen charged to-day that the sale of an oil company here accused Texaco, in 1964 left the nation with the biggest case of tax evasion in Venezuela's history and unpaid bills totalling \$82m.

Three Congressmen from the MIR Party (Movimiento Revolucionario), a small socialist group here, said that when Texaco bought the Superior Oil company in 1964, it should have assumed responsibility for Superior's back taxes amounting to \$46m. and a fine

national wage negotiations.

PROTEST MARCH IN BUENOS AIRES

BUENOS AIRES, June 17. THOUSANDS of car, paint, printer and other workers marched toward Buenos Aires in protest over the slow pace of major



Everything in the Garden is lovely.

After 10 years as the London's top 5-star hotels, the Royal Garden Hotel has a new look. The new look is a result of a complete redecoration of all the bedrooms. Now we have the best of a brand new hotel in the heart of London. Because of the Garden's location, you can enjoy the best of London and the best of the world. And so you can enjoy the best of the world.

But despite this, the new look decor, the Royal Garden Hotel has remained the lowest in the London 5-star bracket. Single rooms from £15.50 and doubles from £24.50 including service charges. If you want to enjoy the best of the world, the Royal Garden Hotel is the place to go.

Stately Home Suites from £45.00 a day and the Penthouse Suite at £120 a day.

Our Garden is situated by London's lovely Kensington Gardens with beautiful views across Hyde Park yet we are convenient for all the West End shops and night life. It is the closest 5-star hotel to Heathrow Airport and for those coming by car we have an underground car park.

For reservations, call 01-937 8000 or write to the Royal Garden Hotel, Kensington, High Street, London, W8 4PT. Or for your convenience in booking this and other fine Rank Hotels throughout Europe, call the Central Reservations Office on 01-262 2393.

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OVERSEAS NEWS

'Libyans and Russians in world campaign against Egypt'—Sadat

BY HSAN HIJAZI

EGYPTIAN PRESIDENT Anwar Sadat has accused Libya and the Soviet Union of conducting an international campaign against him and his Middle East policy, and charged that the crisis in Lebanon was part of this campaign.

He declared in an interview put out here today in the leading daily *Al Nahar*, that he intends to fight this campaign by all means in his possession and "will not allow the situation in Lebanon to be used to strike at Egypt inter-Arab solidarity."

President Sadat has sent messages to Lebanese President Suleiman Franjeh, Premier-designate Rashid Karami, Socialist leader Kamal Jumblatt and Palestinian leader Yasser Arafat urging them to end the

Lebanese crisis promptly "at all costs." The messages were carried from Cairo yesterday by Egyptian ambassador Ahmed Mutwally, who had spent several days in the Egyptian capital for consultations.

The messages coincided with new mediation efforts by Syria to end the crisis here. Syrian Foreign Minister Abdel Halim Khaddam arrived unexpectedly here last night and met with Mr. Franjeh and Mr. Karami, and was meeting today with former President Camille Chamoun and Phalangist party chief Pierre Gemayel. The Syrian mediation has given rise to hope the three-week-old deadlock over the formation of a Lebanese Cabinet would be broken.

In his statements to *Al Nahar*, Mr. Sadat insisted that external

forces were behind the Lebanese crisis, which had taken the form of clashes between Palestinian guerrillas and right-wing Phalangists. The newspaper quoted the Egyptian President as saying that he considered himself to be in a state of war with those forces, "a war as serious as the October 1973 war with Israel."

An *Nahar* said Mr. Sadat "named names from the Soviet Union to Libya."

The Libyan regime had begun an information drive against Mr. Sadat, accusing him of preparing to recognise the State of Israel and allowing Israeli ships to use the reopened Suez Canal.

Libyan Premier Abdel Salam Jalloud yesterday arrived suddenly in Damascus and was to proceed from there to Saudi Arabia for talks on what he called "the dangers facing the Arab nation now."

Mr. Sadat expressed satisfaction with the Syrian-Jordanian understanding arising from President Hafez Assad's visit to Jordan last week, and predicted that a summit conference of Egypt, Syria, Jordan and the PLO will follow a quadripartite meeting later this month at foreign minister level.

He praised President Ford, and said he told him at their meeting in Salzburg earlier this month that the Geneva conference must convene before the end of the year, because President Ford next year will be preoccupied with the American elections.

AP-DJ adds from Tripoli: President Sadat has forbidden Egyptians from taking jobs in Libya, sources here report, but they add that many workers are avoiding the ban.

The ban came after anti-Sadat demonstrations in Libya in early June. Libyans involved in the demonstrations said the reopening of the Suez Canal and permission for Israeli cargoes to pass through amounted to "a policy of surrender" on the part of Egypt.

Sources here report that though the work ban has prevented Egyptians from flying directly to Libya to work, large numbers are travelling via Beirut and Damascus.

Libyan authorities, who permit Arab passport holders to enter with a minimum of formalities, have apparently recognised the country's need for Egyptian personnel and seem not to have done anything to block their entry.

Of Libya's total work force of 700,000, about 150,000 are Egyptian, and 50,000 other foreigners. Among the Egyptians, there are 30,000 engineers, 2,500 doctors and nurses and 10,000 teachers.

At one time Mr. Sadat encouraged these migrants, because the Egyptian economy was stagnating and there were not enough jobs, and because he needed the foreign exchange remitted by the workers. As relations have deteriorated, Mr. Sadat has spoken of recalling them, but the workers need the jobs that a still-growing Libyan economy offers them.

AP-DJ adds from Tripoli: Presi-

BEIRUT, June 17.

Bid to form one black Angola army

NAKURU, KENYA, June 17. AFTER AGREEING on measures to restore peace to their troubled land, Angolan liberation leaders today worked out details of the creation of a united Angola army, conference sources said.

"Things are running very smoothly indeed, and are going much better than expected," one high-level delegate said after a four-hour meeting between the leaders of Angola's three independent groups.

The conference started on Monday to try to halt months of fighting between the movements—the MPLA, FNLA and UNITA—in which as many as 10,000 persons were reported killed and to pave the way for peaceful independence from Portugal in November.

One problem to be overcome in forming any joint army was to reconcile the various guerrilla troop strengths. The right-wing FNLA, for instance, has more than 20,000 men under arms, the left-wing MPLA around 10,000 and UNITA less than 5,000. The first two groups reportedly have been recruiting thousands of new volunteers in recent weeks.

Few observers, however, believed that any of the liberation movements would totally disband their independent military structures even if the large-scale merger got underway.

UPI

Mrs. Gandhi decides court strategy

BY K. K. SHARMA

MRS. INDIRA GANDHI, the Indian Prime Minister, has decided to continue in office and has made plans to counter possible court decisions that might come in the way.

She believes that a decision on her appeal against being disqualified from elective office will come within six months. The constitution permits up to six months to elapse between session of Parliament so that, if necessary, she may hope to avoid facing Parliament before her appeal has been settled.

The hearing of the appeal to the Supreme Court judgment against the Allahabad High Court's ruling unseating her from Parliament and barring her from holding any elective office for six years will begin on Friday.

The Supreme Court has two probable options before it, and Mrs. Gandhi has prepared to deal with both of them. The Court can either give an absolute stay of the High Court ruling, thereby giving Mrs. Gandhi a fresh lease of political life until the appeal is finally disposed of.

The other possibility is that the Supreme Court will give only a conditional stay, and allow her to remain a member of Parliament but without the right to take part in parliamentary proceedings. Since this would make her ineffective as a Prime Minister, plans have been made to forestall this possibility.

This will be done simply by not holding a session of Parliament at all since the Indian constitution provides for a maximum interval of six months between

IN BRIEF

Bishop expelled

Anglican Bishop Richard Wood, 54, who has championed majority rule for disputed South West Africa (Namibia), has been ordered to leave the territory by next Monday. A similar order was also served the day before on Mr. Rolf Fricke, Director of the Christian Centre in Windhoek.

No reasons were given for the expulsions, which were issued by the all-white Executive Committee of the Legislative Assembly which administers the territory.

Zaire coup failed

President Mobutu Sese Seko of Zaire confirmed reports of a recent abortive coup against his regime and accused an unnamed "great power" of planning it. His confirmation took the form of a letter to the Government newspaper *Elumina* which on Monday said the coup was "mounted, financed and directed from outside by the external enemies of the revolution and more precisely, the United States of America."

While he did not name the "great power," Mr. Mobutu recalled that in a speech to a conference in Kinshasa in February he criticised what he called a U.S. policy of "destabilising African regimes."

Less U.K. migrants

Migration from Britain to New Zealand fell by 44 per cent, in the four months to April compared with the same period last year. Immigration Minister Fraser Colman said in Wellington yesterday.

Mr. Colman said 4,848 settlers arrived. He attributed the drop to immigration controls introduced in April 1974 removing the previous right of unrestricted entry to British and other citizens.

Israeli caution

BY OUR OWN CORRESPONDENT

TEL AVIV, June 17

THE ISRAELI Cabinet convened today in special session to hear the Prime Minister, Mr. Yitzhak Rabin, review his talks in the United States. A political debate was expected on the Government's next steps in pursuit of an interim agreement with Egypt.

On his return home last night, Mr. Rabin said the Cabinet had not been requested by the Americans to take any decisions on specific bargaining points, only to consider what courses of actions were appropriate.

The Secretary of State, Dr. Henry Kissinger, should not be expected to undertake another "dramatic" shuttle mission to the Middle East until at least 90 per cent of the details have been agreed upon through "the normal diplomatic channels," the Prime Minister said.

His low-key tone and an assessment by one of his senior aides that a settlement was only about 50 per cent certain at this point reflects a conscious Israeli decision not to get caught up in a wave of what officials here called American-inspired over-optimism, such as that which contributed to the misunderstanding that erupted in Dr. Kissinger's previous mission last March.

Several issues are understood here to remain far from reconciliation following President Ford's

meetings with Mr. Rabin and those with Egyptian President Anwar Sadat at Salzburg two weeks ago.

Israel has expressed a willingness to accept a three-year long Egyptian pledge not to resort to force in return for an Israeli withdrawal in the Sinai ranging 40 to 60 kilometres eastward. Mr. Rabin, however, is insisting that the settlement be both public and direct while Cairo favours a secret undertaking made only to Washington.

The Israeli withdrawal behind the strategic Mitla and Gidi passes is conditional on retaining their costly and sophisticated early-warning electronics system, installed in the eastern approaches of the passes. The newspaper, *Davidar* reported today, however, that the UN peace-keeping force commander, Finnish General Ensis Sillanvuo, advised Washington that the facilities could be relocated without impairing Israeli first-line intelligence.

There is also the delicate question of linkage with a subsequent settlement with Syria. According to the Israelis, the Egyptian non-belligerency pledge must specify that Cairo will not join in any fighting that may break out on the Golan Heights, no matter which side fires the first shot.

Saigon banks reopen

BANGKOK, June 17.

RADIO SAIGON today announced the re-opening of banks and resumption of foreign currency transactions, saying that exports and imports would be resumed with "proper profits" guaranteed and urging South Vietnamese abroad to send remittances to their families.

The radio also said in a broadcast last night that hundreds of thousands of former soldiers and others are in hiding or refusing to participate in the Communist revolution in South Vietnam.

The re-opening of the Vietnam National Bank and the Vietnam Thung Tin (Commercial Credit) banks were disclosed in an announcement of a Provisional Revolutionary Government (PRG) Councils of Ministers decision and a communique broadcast this morning.

The radio said the decision was dated June 6 and the communique on June 10, but no reason for delays in announcing them were given.

All banks in Saigon have been closed since the fall of Saigon on April 30, causing shortages of cash and other economic problems.

Shortly after seizing the city the PRG announced the nationalisation of privately-owned banks.

To-day's announcements said the National Bank would fill the role of "a multi-level banking network, consistent with the new methods for economic and social management of the state."

The announcements said all foreign transactions would be handled through the Thung Tin bank and that exporters and importers who have been allowed to resume business would be helped to contribute to the building of the new economy by "favoured credit policy and an appropriate policy on interest and foreign exchange rates aimed at insuring proper profits for exporters and importers."

A newspaper editorial quoted by the radio said that "hundreds of thousands of troops and officers of the puppet armed forces and personnel of the puppet administration and members of reactionary political parties have surrendered to the revolution and whose organisations have been integrated... are living in the city like persons standing outside the people's community," and that a number of high-ranking officers of the former Government's army were still harbouring false views about the revolution.

UPI

Dacca Press ban

DACCAR, June 17.

THE BANGLADESH Government has decided to close down all but four of the country's daily newspapers and all political periodicals. Most of the periodicals which are left are Government-run or deal with sport and cultural subjects.

Two of the daily papers, the *Bangladesh Observer* and *Dainik Bangla*, were declared abandoned property at the time of independence and had been run by the Government. The other two, the *Bangladesh Times* and *Ittefaq*, had sometimes been critical of the Government and will now be run under Government management.

The measure announcing the closures, the Annulment of Declaration Ordinance, said simply: "It is expedient in the

public interest to annul the declaration of certain newspapers and periodicals and the circumstances exist which render immediate action necessary."

Our Asia Correspondent adds: the curbing of *Ittefaq*, Bangladesh's largest selling paper which has recently been increasingly critical of the Government, and the closure of the outspoken weekly *Holiday* and *Wave* comes as a big blow to press freedom and freedom of expression generally in Bangladesh. Dacca, the capital, used to have 22 daily papers, employing 1,200 journalists. President Mujibur Rahman has promised that no "real journalist" will be unemployed as a result of the measures.

Stonehouse and 'dead men's bank accounts'

MELBOURNE, June 17.

OFFICIALS of three Australian branch banks today described how British MP John Stonehouse transferred thousands of pounds from Switzerland and England to accounts he opened in Melbourne under the names of two dead men.

Some of the money was transferred to banks here before Mr. Stonehouse faked his death by drowning off Miami Beach in Florida last November 20, a Melbourne magistrate's court was told.

Mr. Richard Doak of Australia's Commonwealth Banking Corporation told the court his bank's Melbourne branch re-

ceived a telegraphic transfer of \$A9,500 (£5,428) from the Swiss Banking Corporation on January 8 for Mildoon.

Mr. David Rowland, of the Australia and New Zealand Banking group, identified Mr. Stonehouse as the man he saw last November 28 — while the MP was still missing — who deposited \$A22,000 in cash into a savings account in the name of Mildoon.

Mr. Peter Street, an accountant with the New South Wales Bank, said he had received an overseas warrant for the transfer of £14,100 to open a savings account in the name of Markham late last October.

Reuter

How much can your estate car take?

Can it handle this sort of road?



The steering is light and positive. And the comfortable seats prevent sway on corners. So, whatever the road's like, you'll find a way through.

Will it keep going through thick and thin?

Over the years, we've built up an enviable reputation for reliability.

People who need a car they can trust, like doctors, veterinary surgeons and farmers, swear by Volvo.

Many have written to tell us of cars still giving good service with more than 100,000 miles on the clock.

The 245 has a new, robust engine that bench tests have shown to be hard working even by our standards.

And, you'll be glad to know, it can get along on two star (95 octane) petrol.

Can it cope with the family?

The first job of an estate car is to carry people.

Lots of them.

The Volvo 245 gives a family of six legroom and headroom to spare.

And, unlike some, it's made for your most precious cargo, your children.

The rear doors have safety catches. The windows cannot be wound down below the safety level.

And there's loads of room behind for carry-cots, pushchairs, bicycles and all the paraphernalia of childhood.

As well as, of course, the faithful hound.



The new Volvo 245.

Can you fit a 6 foot settee in it?

With the whole family in the new 245, there are 53 cubic feet at your disposal.

By folding down the rear seat, you bring that figure up to 67 cubic feet.

The 74 inch long area is perfectly flat, so not an inch is wasted.

The aperture is high enough at 50.7 inches for you to get something as bulky as a large settee inside.

And, to save lifting, the floor is only 23 inches from the ground.

Is it smart enough to take you to town?

The 245 isn't by any means merely a workhorse. It has more than a touch or two of refinement, as well.

For instance, it is carpeted throughout. Even the back of the rear seat, so it doesn't look odd when you fold it down.

The rear window is electrically heated and boasts its own windscreen wiper and washer.

It has a quartz clock. And a cigarette lighter.

In fact, it can more than hold its own with a good many smart saloons.

Is towing a boat up a hill plain sailing?

Many people who buy an estate car do a lot of towing.

A surprising number just aren't up to the job.

The new 245 is, thanks to its sturdy 2.1 litre engine.

Some of the power we've used to give you better acceleration between 50 and 50 mph.

But the bulk of it has gone into increasing the torque.

This simply means it climbs even a 1 in 4 hill without strain or a lot of gear changing.

And, to make things easier still, you can fit a self-levelling device that keeps the car horizontal even when you're pulling a caravan.

Does it corner properly even when it's not loaded?

The big problem with an estate car is to stop the rear end sliding about when it's empty.

The 245 has a new type of suspension that can iron out the twistiest road.

At the back, track rods, torsion bars and a torque rod keep it steady.

And just to be absolutely sure, we've put in extra strong springs. Did they put so much thought into your car?



In this advertisement we are able to touch on only a few of the features of this remarkable car. We have produced a special information kit called 'The Volvo Facts', which gives you the whole story. Just write to us or telephone us and we'll put a free copy in the post.

VOLVO

HOME NEWS

Industrial production falls to near 3-day week level

BY WILLIAM KEEGAN, ECONOMICS CORRESPONDENT

INDUSTRIAL production in the U.K. has fallen sharply in recent months as the domestic recession deepens in a time of falling world trade.

Figures issued by the Central Statistical Office yesterday show that between March and April industrial output in the U.K. fell almost to the depths reached during the 3-day week early last year.

Output dropped another 0.9 per cent. on a seasonally adjusted basis between the two months, bringing the official indexbase 1970=100 down to 102.5.

Previous estimates for production in February and March have been revised downwards by 1 per cent. and 1 per cent. respectively, and in the three months February-April taken together output is calculated to have been 1 per cent. down on the previous three months for all industries, and 1½ per cent. for manufacturing industry alone.

Government statisticians believe the underlying fall to have been rather sharper than this, mainly steel—down 7.0 per cent. in the three months November-January. An analysis of market sectors shows the reduction to have been greater in the consumer goods industries (1.3 per cent. lower over this period) than in capital output in this country during April was running only 2½ per

cent. above the average level achieved in 1970.

By comparison with the level of output reached at the heights of the boom in August-October, 1973, production in these latest three months has been 7 per cent. lower.

The biggest falls have been in chemicals—down 5.1 per cent.

INDUSTRIAL PRODUCTION		
Production 1970=100		
	All Ind.	Mfg.
1973 1st	109.9	109.9
2nd	109.6	110.0
3rd	110.7	111.5
4th	109.5	110.5
1974 1st	102.7	106.0
2nd	102.0	105.6
3rd	102.7	106.3
4th	102.5	106.4
1975 1st	102.5	106.4
Feb.	102.4	106.3
Mar.	102.5	106.3
Apr.	102.5	106.3
Seasonally adjusted		

between November-January and February-April and metal manufacturing rather sharper than this, mainly steel—down 7.0 per cent.

November-January months production is thought to have been artificially depressed by the longer Christmas holiday season. Industries (1.3 per cent. lower over this period) than in capital output in this country during April was running only 2½ per

to deteriorate further as the year goes on, according to the latest Confederation of British Industry trends inquiry.

In the follow-up to the big April trends survey the CBI found last month that 55 per cent. of respondents in manufacturing industry had experienced a downward trend in new orders during the past four months, and only 24 per cent. reported an increase.

Only 13 per cent. of firms expected the volume of their output to rise in the coming four months, and 37 per cent. predicted a fall. The negative balance of 19 per cent. compared with a negative balance of 16 per cent. in April.

The CBI stresses that, even in value terms, the intake of new orders and of new export orders has fallen over the past four months for more than half of manufacturing industry.

None of these trends augurs well for the June unemployment figures, due to be published tomorrow.

Following the sharply rising trend in unemployment experienced since the end of last year, official and private forecasters have been revising forwards their predictions of when the unemployment level will reach 1m. to this coming autumn.

Chairman appointed for Alfred Herbert

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

ALFRED HERBERT, the machine tool group which is the subject of a Government financial rescue operation, has found a chairman after 14 months without one.

Mr. John Buckley has accepted the appointment as acting non-executive chairman "during the current period of reconstruction."

Mr. Buckley is chairman of Davy International, the engineering and contracting group. He was appointed to the Herbert Board last March at the request of Mr. Anthony Wedgwood Benn, the Industry Secretary.

Last night he commented: "I think the company needs a new focal point around which it can be reconstructed. And somebody had to do that job."

"Because of my appointment as non-executive director, I found I was more or less doing the job in any case."

"But I will be dealing only with absolutely essential basic policy. There is no question at all of me concentrating less on my work at Davy."

"The Herbert appointment will be only a temporary holding."

Mr. Buckley maintained that his first task would be to press for the Government to give a speedy decision on the joint proposals for aid and restructuring put by the Herbert management and unions. "The pace will now tend to quicken," he promised.

Herbert has been without a chairman since the resignation of Sir Richard Young who received £87,000 in compensation for loss of office when he left the group.

At one stage it looked as if Sir Raymond Brookes, recently retired chairman of Guest Keen and Nettlefolds, might take on the chairmanship, but this fell through.

A Government announcement about financial assistance for Herbert—which has made losses totalling £14m. over the past four years—has been delayed first by the referendum campaign and then the switch of Mr. Benn from the Industry Department. It is assumed that Herbert will get a cash injection of between £17m. and £20m. in return for a Government majority shareholding.

BSC deputy chairman criticises 'interference' in State industry

BY ARTHUR SMITH

VIGOROUS CRITICISM of Government interference in the affairs of nationalised industries came yesterday from Mr. Mark Liddman, deputy chairman of the British Steel Corporation.

In recent years State-owned industries had tended to be treated as instruments of Government and even political policy, he told the congress of the European Centre of Public Enterprise, in London. He went on to suggest that a possible solution might be found more easily within the European Economic Community than at the national level.

Sir Arthur Hetherington, chairman of British Gas, and Sir Derek Ezra, chairman of the National Coal Board, drew attention to energy wastage created by governments pegging prices at too low a level.

The Prime Minister has agreed to meet a delegation representing the heads of Britain's State-owned industries to discuss their relations with Government.

There was a tendency in some cases to challenge the judgments of the boards and managements of the enterprises on matters such as commercial and investment policies. "This 'double guessing' can be unhelpful and even counter-productive."

In recent years, there had been a tendency in the U.K. for the nationalised industries to be used as instruments of government and even political policy on issues such as prices, wages and investment.

Sir Derek Ezra cited the example of where governments had restricted prices to well below cost in order to control the retail price index.

"This has been contrary to the interests of energy conservation, the deployment of resources and, in the end, has helped to aggravate the problem of inflation itself."

"Great care therefore needs to be taken to ensure that short-term solutions are not imposed on public enterprises which, although popular at the time, will in the long run create more problems than they solve."

Mr. Liddman said no one disputed that the State should have ordinary powers of accountability which any owner of an enterprise would expect. "However, experience in many countries suggests that government intervention in response to pressures, tend to go far beyond this."

There was a tendency in some cases to challenge the judgments of the boards and managements of the enterprises on matters such as commercial and investment policies. "This 'double guessing' can be unhelpful and even counter-productive."

ment and even political policy on issues such as prices, wages and investment.

"Public enterprises are in danger of being deflected from their main economic functions by short-term political considerations to the prejudice of the public interest."

Mr. Liddman suggested that the congress, with its range of knowledge and experience, might play an important role in helping to find an answer to the problem.

"It may be easier to work out solutions at the company rather than the national level, because of the intense political pressure which sometimes prevails at the national level."

Since BSC entered the Coal and Steel Community it has enjoyed greater freedom and flexibility in pricing than previously, he pointed out.

M. Pierre Mathiesen, a director in the Competition Directorate of the Commission, responded to criticisms raised at the congress that the Commission was not sufficiently representative of business enterprises.

A meeting would be arranged towards the end of the year to intensify the rapport between the European nationalised industries and the Commission, he said.

Five new SE candidates

BY MARGARET REID

SIXTEEN candidates are contending for 14 vacant places for London members in the Stock Exchange Council election to be held on Friday, while six candidates for the other regions are returned unopposed.

Among this year's candidates for the 45-strong council, whose members are elected for three years, is Mr. Michael Marriott, who has already been voted as the new chairman in succession to Mr. George Loveday, who is retiring from the council.

Of the 16 London candidates, returning from the council, Mr. Marriott is expected to be formally elected as chairman by the members on Friday. Mr. P. H. Swan, Mr. P. S. Wright, Mr. N. P. Goodison, Mr. N. Asheton, Mr. D. P. M. Malcom, Mr. R. H. M. Marriott, available London places, five Mr. J. Dundas Hamilton, Mr. S. B. would be newcomers to the

council, while 11 have been previously elected. The latter include Mr. James Dundas Hamilton, who is one of the present deputy chairmen, the other being Mr. David LeRoy Lewis. Deputy chairmen will also be elected next week and Mr. Marriott has already said he hopes both the existing holders of that office will continue.

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The five who, if elected, would be joining the Council for the first time, are Mr. D. H. Starling, Mr. S. E. J. Raven, Mr. C. R. J. Eglinton, Mr. F. C. E. Telfer and Mr. W. L. H. Thring. Mr. Starling, Mr. Raven and Mr. Eglinton are the three among the London candidates who are aged less than 40.

Results of the election will be known on Friday evening. Those returned unopposed to all vacancies for the regions are: Scottish, Mr. C. R. Simpson; Midlands and Western, Mr. R. L. Harris; Northern and Belfast, Mr. J. A. P. Norris and Mr. L. G. Maybaw; and Provincial, Mr. M. N. Codd and Mr. J. B. Vartan.

Life assurance premiums up 16% last year

BY ERIC SHORT

ANNUAL PREMIUM income of £800m. to £19.6bn. despite the U.K. life companies last year rose by 16 per cent. to £22.42bn., according to figures released yesterday by the Life Assurance Association.

Single premium payments were £20m. higher at £890m., while investment income from life assurance and annuity funds in 1974 totalled £1.57bn., an improvement of 17 per cent. on the previous year.

The total benefits paid out over the year amounted to £219m., equivalent to £42m. per week. After allowing for expenses and taxation, the net cash inflow to U.K. life companies reached £1.52bn. This figure represents the amount of money made available for new investment in 1974 through life assurance savings.

Because of the falls in the stock and property market during 1974, the value of life assurance and annuity funds at the end of the year showed a decrease of

£800m. to £19.6bn. despite the positive cash flow. But because of the long-term nature of life assurance, the market value of assets on any particular date is of much less importance than the income which these assets produce.

Mr. K. H. Allen, chairman of the Life Assurance Association, said these figures reaffirmed the public's continuing confidence in life assurance as a valuable means of personal savings.

AMADA UNITED KINGDOM, West Midlands, has received its first order, worth more than £70,000 for an NCT155 numerically controlled turret punching machine from R. E. Cooke and Son (Barnet).

It is believed to be the first machine of its type in the U.K. incorporating a built-in mini-computer in the N.C. control, thus eliminating a large part of the post-processing.

Floating of currencies 'only partly successful'

BY MICHAEL BLANDEN

FLOATING CURRENCIES have only a qualified success in achieving the main aims claimed for them by their advocates. It was argued yesterday by M. Cecil de Strycker, Governor of the National Bank of Belgium.

He pointed out that there had been extensive intervention by central banks to control the increased day-to-day volatility of exchange rates. The size of the dollar market, however, and the reluctance of the U.S. to adopt a policy of systematic intervention, sets limits to this action.

M. de Strycker drew attention to the emergence of a number of blocks within the general floating of currencies. These included the U.S. and Canadian dollar; and particularly the European snake, being extended with the inclusion of the French franc; and the association of other currencies such as the Swiss.

He thought this tendency might be indicative of a move towards a multi-polar system of exchange rates "in which authentic flotation will be limited to the relationships between certain groups of currencies."

Flotation did not release central banks and monetary authorities from pursuing the task of reforming the international monetary system. The adoption by the IMF of a "code of good conduct" for the floating of currencies should be considered as a first step on the road to the "necessary re-establishment of international monetary discipline."

The discipline would have to be more supple than in the past. But "close and sustained collaboration between monetary authorities has never been more indispensable than now."

M. de Strycker was speaking on the subject of "Fixed or Flexible Rates" at the annual luncheon held by the Belgian Chamber of Commerce in Great Britain. Examining the experience of floating rates, he pointed out that they had put an end to the recurrent exchange crises which "kept a feature of the final years of the fixed exchange rate era."

But "the pronounced fluctuations in exchange rates, which have taken the place of the former crises all the same conceal substantial capital movements and in the long term may distort the normal course of the adjustment process."

Other claims made for floating currencies, that of the 19 or so currencies of the IMF members, only about 10 were major currencies which could be considered as transacting. Their position was the result of any collective decision taken in the cold light of reason, but has been reached by a period as the result of individual decisions largely imposed by circumstances.

Even then, the intervention of the authorities suggested that the pendulum was now swinging away from greater flexibility. Other claims made for floating rates had to be qualified in the light of experience, he said. In particular, there was evidence that they had helped the adjustment process in some countries—in some, such as Germany, they had not prevented a worsening of imbalances—nor that they had contributed to the fight against inflation. "It is very probable that accentuated fluctuations in exchange rates create an unfavourable climate for the struggle against inflation."

Reforming the international monetary system, the association stresses that the detailed nature of the requirements for advancing and quotations split out in a consultative paper by the Department of Prices could have adverse effects.

"There is a risk," the report states, "that lessors, in order to avoid the pitfalls in the new regulations, may provide information rather than data and this of course would defeat the object of the exercise."

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Our Policy hasn't changed in 150 years.



Give the broadest cover and the highest returns for premiums paid.

That was our policy when the Life Insurance Company of Scotland was born in Edinburgh 150 years ago.

When, seven years later, we changed our name to Standard Life, we didn't change our policy.

And it remains the same today.

When our first policyholder Mr. Alexander H. Simpson took out his whole life policy on 24th December, 1825, he didn't do at all badly for his family.

He paid a single premium of £670 on his with-profits policy for £1,500.

When he died in 1866, the Company paid to his dependants the sum of £3,982. A bonus of £2,482.

In today's terms that's equivalent to a payment of £35,000, with a bonus of £22,000.

In fact, for nearly 50 years we've consistently paid out more, more of the time, than any other insurance company.

We've had five generations of experience helping people towards a more secure future for themselves and their dependants, with personal insurance and pensions.

May we add your lifetime to that?

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Road transport recruitment warning

A WARNING that recruitment to the road transport industry in 1975/76 will be 35 per cent. below the level of the U.K.'s long-term requirements has come from the Road Transport Industry Training Board.

In a comprehensive study of manpower and training needs in the industry from 1967-1980, the RTTB points out that the primary cause of this under-recruitment is the present recession in the U.K. economy.

The study claims that the industry will recruit 23 per cent. less apprentices in 1975/76 than in 1974 and, as a result, longer-term training will once again become the casualty of short-term economic difficulties.

"The worst effect of these difficulties," it says, "will be felt at the time the U.K. is reaping the benefits from North Sea Oil exploitation."

The economic fluctuations of the British economy have, the study says, affected road transport particularly badly because of its nature as a labour-intensive service industry consisting predominantly of highly fragmented economic units. It is also claimed to be especially vulnerable to the employment policies of other industries.

The Board's 1974 manpower census showed there were 848,000 people employed in the industry. This figure compares with the 1970 peak of 910,000. Nevertheless, it estimates that the manpower figure will climb back to around 800,000 by 1980.

The major occupational groups in 1974 were drivers and craftsmen, although there is reported to be a long-term trend for an increasing proportion of the industry's workforce to be employed in managerial and back-up functions.

Manpower 1975. Study of Manpower and Training Needs in the Road Transport Industry 1967-1980. RTTB, Capitol House, Empire Way, Wembley, Middlesex HA9 0NG.

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Leasing accounts for 7% of U.K. expenditure

BY PETER FOSTER

LEASING NOW accounts for 7 per cent. of all capital expenditure in the U.K., Mr. Geoffrey Dodsworth MP, chairman of the Equipment Leasing Association, reveals in the ELA's annual report, published today.

Mr. Dodsworth points out that the overwhelming bulk of this business is undertaken by members of the ELA, whose current leased assets exceed £1bn.

He notes that the consequence of this growth has been that authorities and certain other bodies have, among "becoming increasingly and deeply involved" with the activities of lessors.

Stressing the increasing volume of legislation which affects leasing, Mr. Dodsworth claims: "The necessity of treatment and whatever might be the prevailing fiscal system, the leasing industry will continue to expand and become increasingly recognised as a primary means of adding investment and of contributing to the volume of investment."

Reforming the international monetary system, the association stresses that the detailed nature of the requirements for advancing and quotations split out in a consultative paper by the Department of Prices could have adverse effects.

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We'll take
more care
of you

No 1

British airways ANNOUNCE

Wednesday, June 18, 1975



Los Angeles lands great non-stop service

FLYING WEST IN A BIG WAY

By Announce Reporter

A DAILY non-stop service from London Los Angeles using the wide-bodied comfort of a DC 10 aircraft has just been introduced by British Airways.

The airline has leased the DC10 from Air New Zealand specifically for the purpose. The aircraft will fly in New Zealand colours, but it will have British Airways pilots, engineers and cabin crew on board.

Passengers flying on to New Zealand will be able to do the entire journey in one aircraft.

Air New Zealand crews will take over in Los Angeles for the second leg of the journey to Auckland.

Seating

The DC10 will leave London at 1610, arriving in Los Angeles at 1915. In the opposite direction, the aircraft departs Los Angeles at 1830, arriving in London at 1240 the following day.

Seating in the DC10 will be 24 first class places and 219 economy seats.

All the seats have a push-button lumbar support to give maximum comfort, and the eight-foot ceiling means that no one has to stoop.

Fares between London and Los Angeles will range from £180.30 for a winter advance purchase excursion (APEX) ticket to £633.80 first class.

Strong

British Airways sees the introduction of a non-stop over-the-Pole service from London to Los Angeles with the DC10 as a big breakthrough.

Britain has strong and growing ties with California, whose record of sustained economic growth has few parallels anywhere else in the world, and the airline anticipates a big demand for seats in both the business and holiday markets, as well as from people wishing to continue their journey onwards to New Zealand.

Trident is the fast way North

THE fastest way between Newcastle and London is British Airways' Trident Service.

There are up to five return flights every day, and the flight time is only 55 minutes. Another advantage for travellers is that Newcastle airport is only six miles from the city centre.

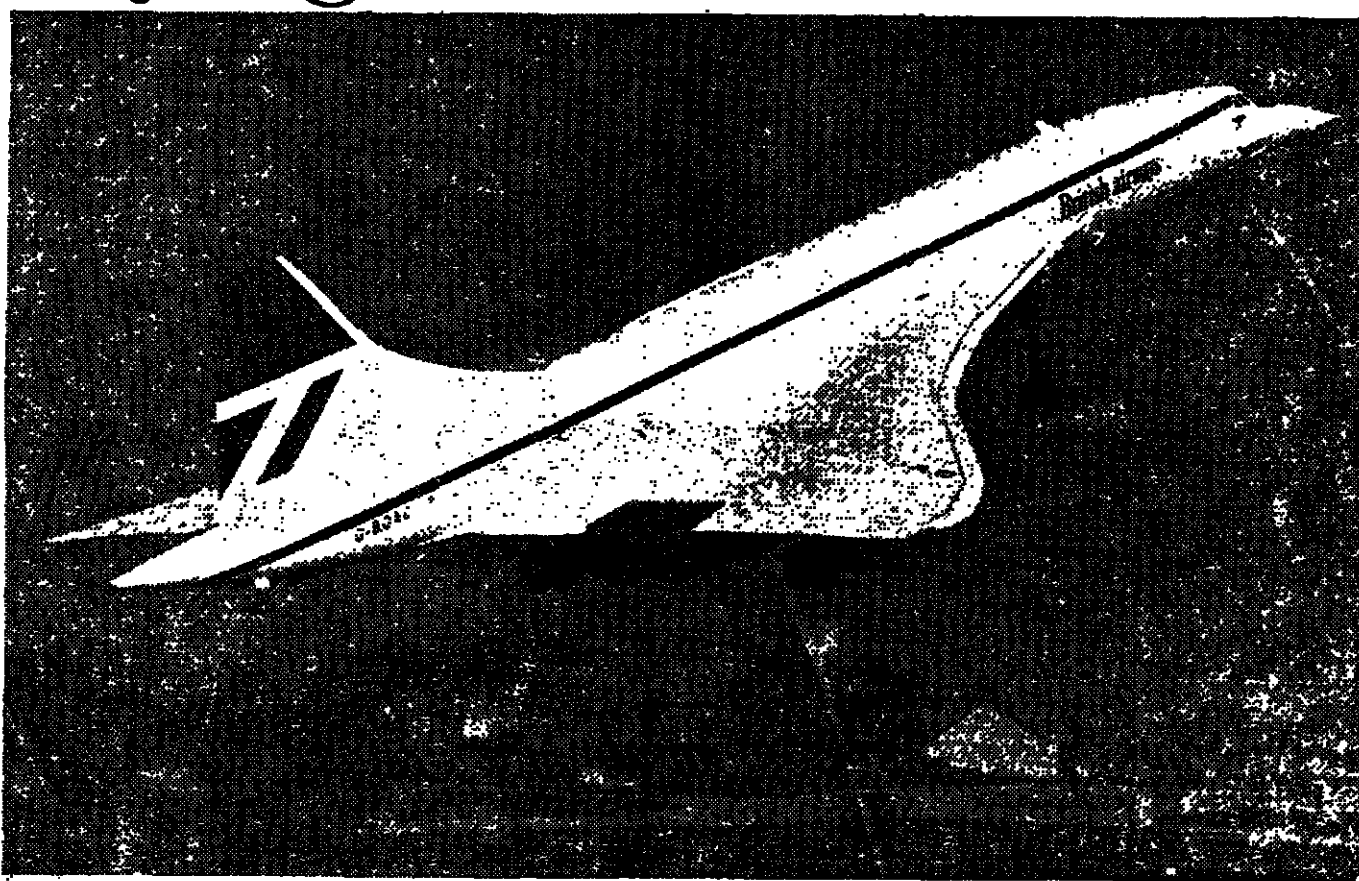
Ping-pong flights

BRITISH Airways was official carrier for many of the 70 teams taking part in the 33rd World Table Tennis Olympiad held in Calcutta. After the championships, the airline flew the Chinese, Hong Kong and Macao teams to Hong Kong and the Brazilian team to London.

Check-in speeds up

AN experimental excess baggage system has been introduced on the London-Paris route to speed up passenger check-in. The scheme, introduced by British Airways in conjunction with Air France, means that passengers are charged a flat rate of £2 or 20 Francs for each additional item of baggage over and above one piece checked into the aircraft hold and one small cabin bag. If the experiment is successful, it could be extended to other routes between the UK and France from November 1.

Flying East—in Concorde



Concorde 204, the fourth production aircraft in British Airways livery, during its maiden flight.

CARTOON BY ROSS



BRITISH AIRWAYS' first passenger service with Concorde will be to Bahrain, either later this year or early in 1976. Transatlantic flights will follow shortly afterwards, providing the necessary landing permission in New York is obtained.

It is now clear that British Airways and Air France will begin flying Concorde commercially on the same date, with the French airline flying to Rio de Janeiro and Sao Paulo, via Dakar.

The choice of Bahrain for British Airways' first service reflects the growing importance of the oil rich gulf.

Departures from London will be on Monday and Wednesday mornings, with the return flights on Tuesday and Thursday. Timings will be designed to give good connections to North America, Europe and other Gulf points.

Australia

Bahrain also forms the first part of the route that is planned for Concorde to Singapore and Melbourne. This could link the UK and Australia in under 14

Concorde Special Report

hours and will present a new dimension in commercial aviation.

Already various Concorde have carried hundreds of passengers to destinations on every continent. Later this summer a series of 'shadow' flights for route development purposes will begin, and by the time Concorde starts regular scheduled flights it will be the most tested and proven airliner ever to enter passenger service.

The Jersey jet set

JET services on routes between Jersey, Manchester and Birmingham have been introduced for the first time by British Airways.

The new weekend services by BAC 1-11 jets provide two return services from Birmingham and one from Manchester on Saturdays and on Sundays. And these new jet services are in addition to the daily Viscount operations.

Sovereign is back in Cyprus

SOVEREIGN holidays to Cyprus started again on June 1. Holidaymakers can stay at hotels in the Limassol area and in Paphos.

Flights to Cairo boosted

SERVICES to Cairo and Dhahran are being stepped up by British Airways from three to four a week to strengthen still further its coverage to the Middle East.

The airline is already offering the most comprehensive network of services to the area, with daily flights to Beirut, Teheran and Bahrain.

Beirut is served on a daily non-stop basis, with flights leaving Heathrow at 1115.

To Bahrain, it's nine flights a week, and the schedule includes four non-stop Boeing 747 flights.

Teheran's daily service includes two non-stop 747s. No flight has more than one stop en route.

British Airways also flies to eight other points in the Middle East. They are Damascus, Baghdad, Kuwait (with non-stop VC 10s), Doha, Abu Dhabi, Dubai, Muscat and Jeddah.

More and more businessmen are asking for direct flights to the Middle East these days. British Airways is there to supply the demand.

First class to German cities

By Announce Berlin Correspondent

FIRST CLASS travel between London and six key business centres in West Germany is offered this summer by British Airways.

This means that the British businessman benefits from the added space and comfort of first class travel when he flies from London to Cologne, Frankfurt, Düsseldorf, Hamburg, Munich or Stuttgart.

He'll be able to plan his day better too, thanks to improved morning flight timings to Frankfurt (0955), Düsseldorf (0915), and Hanover (1115). So apart from anything else, he can get out to the airport at a civilised hour.

Timetable

This is how the timetable from London will look:

Frankfurt—0955, 1310 (both daily) and 1700 (daily except Saturdays).

Munich—0925 and 1620 (both daily).

Stuttgart—1555 (daily).

Cologne—1605 (daily).

Düsseldorf — 0915, 1735 (both daily) and 1930 (daily except Saturday).

Hamburg—0935 (daily except Sunday) and 1720 (daily).

Hanover—1115 (daily).

Bremen—1610 (daily).

Berlin—1110 (daily non-stop), 1115 (daily via Hanover) and 1610 (daily via Bremen).

Berlin, Munich and Düsseldorf will also be served from provincial centres in the U.K.

For more details
see your local
travel agent

'Facts - that's what people want'



Henry Marking: "We have a tremendous amount of news"

WHAT business people want in advertising is information: they want facts. That is the principal reason behind "Announce", a new style in airline advertising.

Henry Marking, Managing Director of British Airways, said we wanted to give facts which could help to make travel easier for our passengers.

"Most people" he said, "even those who seldom fly, are genuinely interested in aircraft and air travel. If an airline advertisement gives them facts that really are important and not just advertiser's purple prose, they are more likely to read it and find it helpful".

"British Airways is the world's largest and, I hope, best international airline, and we aim to give far more travel information to the public than was possible through conventional advertising".

Style

"By adopting a newspaper style", he continued, "we have given space to news that would never appear in normal advertising".

"We have a tremendous amount of news — new aircraft types, new destinations, changes in schedules, special fares and so on. There's probably not another advertiser in the country who could do this."

"I believe that travellers — in particular regular business passengers — will appreciate this new information service."

We fly the flag direct to Jo'burg every evening.

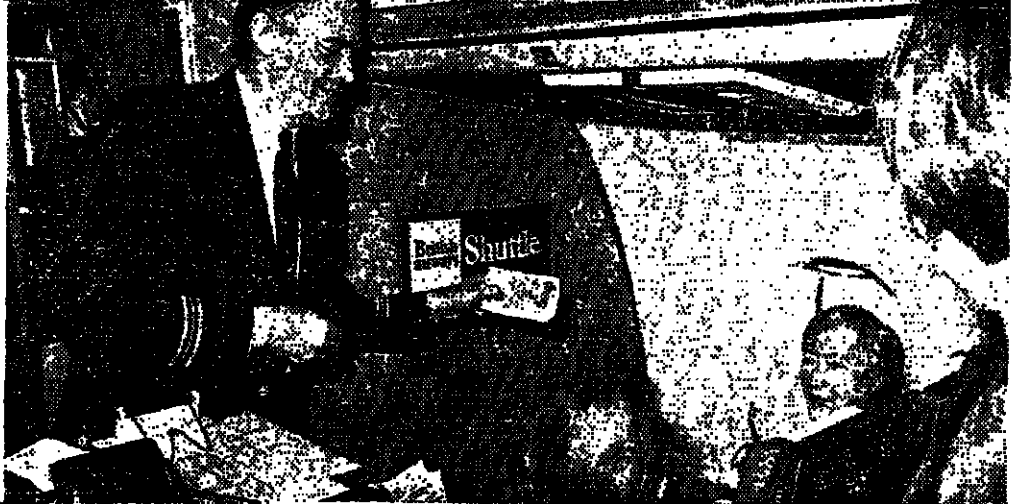
747s at either 2000 or 2145 depending on which day you fly.

With our special brand of care and attention on all of them.

Details from your Travel Agent or British Airways shop.

British airways

We'll take more care of you.



Shuttle makes everything easy — even the paying!

Pay as you please on Shuttle

IN SPITE of all the problems the London-Glasgow Shuttle has got off to a good start. Now about 2,500 people on average are using the service each day. And now there's even more good news, passengers have no less than three ways to pay.

They can get their tickets beforehand at their travel agents, from the Shuttle desk at the airport just before they board, or, if they're really in a rush, they can pay on the plane. Which ever way they choose, they're guaranteed a seat. Shuttle flies

hourly every weekday between 0800 and noon, and from 1400 till 2000. Weekends, it's roughly a two-hourly service between 0800 and 2000, but check with your Travel Agent for details.

Shuttle. Just turn up and take off. It's as simple as that.

The SAA Flying Hotel to Jo'burg



The Flying Hotel: the fastest way to enjoy your trip to South Africa.

SAA is the airline that treats you as a grand hotel treats you. It's the great way to South Africa. Every day to Jo'burg. The Monday service is non-stop—only 12½ hours. The fastest way to South Africa.

So you enjoy more luxury, and arrive in South Africa sooner.

Every SAA flight is a jumbo 747B to give you leg-stretching comfort. SAA give you the extra luxury of a specially designed armchair seat. And SAA have a maitre d'hôtel and trained staff to look after your every need.



The SAA Flying Hotel.
Relax in our exclusively designed Blue Diamond armchair seating.

The Flying Hotel is a plane that has been thoughtfully refurbished with your comfort in mind. There are no less than eight kitchens to give you gourmet cuisine... a specially selected wine list.

And, of course, there is a big feature film and a choice of stereo music programmes to while away the minutes, available at the small additional charge required by IATA regulations. There's a 'no-film' area. Even special no-smoking areas.



We're especially proud of our wine list:
a first class introduction to South African hospitality.

You want to enjoy your trip to South Africa. But you don't want to waste time. So insist on the Flying Hotel. It takes off from London Heathrow every evening. Choose from our Blue Diamond First Class service or Gold Medallion Economy service. The great way to South Africa.

You can book through your travel agent, or by contacting us. Here are our addresses and phone numbers.

South African Airways, 251/9 Regent Street, London W1R 7AD. Phone 01-734 9841. Also at Waterloo Street, Birmingham 021-643 9605. Hope Street, Glasgow 041-221 2932. Peter Street, Manchester 061-834 4868.



Gold Medallion. Our personal economy class.



Blue Diamond. Our luxury first class service.

Comfort all the way.

SAA

South African Airways
Where no one's a stranger

their husbands
took advantage of us



We gave them the benefit of our experience and business knowledge gained throughout the world. We gave them credit facilities and finance packages tailored to their particular needs—with gratifying results.

With our vast resources and experience, we are in a unique position to advise and give practical help whenever called upon. From shipping in Hong Kong to hotels in the Caribbean, airlines and oil rigs in Europe to a host of electronic industries in Japan.

Use our experience to make the most of your opportunities.

Assets exceed Can. \$15,000,000,000.
Over 1,000 Branches and Offices located in 39 countries.

The Bank of Nova Scotia

Regional Office, Europe, Middle East and Africa
19/23 Knightsbridge, London SW1X 7LY. Tel: 01-235 1105

HOME NEWS

Labour moderates launch national anti-Left alliance

BY JOHN BOURNE, LOBBY EDITOR

THE SOCIAL Democratic Alliance—an embryo national organisation of Labour moderates dedicated to loosening the grip of the Left on many sections of the movement—was launched yesterday.

It has been set up by a group of Labour councillors, trade unionists, former Parliamentary candidates and constituency party officers. It claims that it is the first formal national grouping to appear on the Right of the Labour Party since the Campaign for Democratic Socialism was established in the early 1960s.

Supporting Mr. Hugh Gaitskell's fight against the Left, the alliance, which organised the recent election of the Labour Party decision on nuclear disarmament, it will secure the election of more moderate delegates to trade union and Labour Party conferences as well as the election of more moderate trade union officials.

The alliance hopes that like the Campaign for Democratic Socialism, which organised the recent election of the Labour Party decision on nuclear disarmament, it will secure the election of more moderate delegates to trade union and Labour Party conferences as well as the election of more moderate trade union officials.

Public ownership

The SDA, which plans to publish a regular news letter, intends to "identify" supporters in the various sections of the movement and then to brief them with information and alert them about pending key issues.

On the defence of any Right-wing and Centre Ministers or MPs, such as Mr. Prentice, who came under attack from the Left in their own constituency Labour parties. Mr. Roy Britz, one of the organisation's steering committee and London district secretary of the electricians union, also argued the case for "extending the franchise in constituency Labour parties". He pointed out that, in his own union, officials were elected by a postal ballot of all the members.

The SDA's three page manifesto claims that the party is in danger of being driven from its historic course by intolerant dogmatism.

Supporting the concept of a mixed economy, it says: "Public ownership is not an end in itself and should be justified on its merits in each case. We must begin quickly to restore stability and be prepared to make sacrifices, both ideologically and materially, to save our democratic system from the narrow and upheaval inflation will otherwise bring."

On the present crisis, it says: "The people are aware the situation is grave, but responsible leadership in politics, industry and the unions is now urgently necessary to unify and rally the nation in facing the stressful period ahead." The manifesto says the SDA is committed to the Western Alliance.

APPOINTMENTS

Ault and Wiborg group posts

Dr. John Middleton has been appointed to the AULT and WIBORG GROUP as chief executive of its chemicals division. Mr. E. E. Smith has become managing director of the subsidiary Acolator International.

Mr. J. Smeturst, formerly managing director of the pigments division, Ciba-Geigy (UK), is now a consultant to Ault and Wiborg Group.

Mr. Dennis Fleischer has been appointed a STYLIS BARRATT SHOES and becomes deputy managing director of the Baratt Division.

PATERSON ZOCHONIS & CO. has announced that Mr. S. H. Cussons has joined the Board. Mr. G. A. Leupkes has become managing director of Cussons Group and Mr. J. B. Zochonis and Mr. B. Spedding have been appointed directors.

Mr. J. A. Goddard is to be chairman and managing director of RONSON PRODUCTS to succeed Mr. W. K. Kenyon Jones, who is retiring. Mr. L. R. Brodie and Mr. C. W. Duffield are to be deputy managing directors.

Mr. Paul Berent, managing director of European Market Research Bureau, is the new president of the INTERNATIONAL MARKETING FEDERATION.

Mr. John Lees has been appointed an executive director of the SULLIVAN and becomes director of Mack & Edwards (Southern), members of the MACK ORGANISATION.

Mr. G. M. Hodgeson and Mr. A. Jayasingh have been appointed directors of the main Board of WILLINGS INTERNATIONAL.

Mr. Alan G. Masters has been appointed an executive director and finance director designate of BERRY WIGGINS AND CO.

Mr. A. Connor Wilson has retired as managing director of AIRFLOW DEVELOPMENTS and becomes chairman. Mr. G. L. Myles has been appointed managing director. Mr. P. Bagley, design and development director; Mr. A. Barnett, works director; Mr. D. Layzell, financial director and secretary; and Mr. B. Wilson, marketing director, have been appointed to the Board.

Mr. N. J. E. Salmon is to retire from the NATIONAL MUTUAL LIFE ASSOCIATION OF AUSTRALASIA on June 30 after over 45 years' service. He will be succeeded as manager for the UK and Republic of Ireland by Mr. D. C. Ashenden.

Mr. E. F. S. Kibben, general manager, and Mr. M. W. Stone, secretary, are to be made additional directors of SOUTHERN NEWSPAPERS from July 1.

Mr. E. E. L. Pullman, general manager, and Mr. W. G. F. Diddams, secretary and deputy general manager, have been appointed additional directors of SOUTHERN NEWSPAPERS from July 1.

Mr. G. M. Hughes, manager of W. H. HALLETT (Times-Herald Newspapers), has been appointed an additional director from July 1.

Mr. Chris Vernon has been appointed deputy chief executive director of JOHN WELMOTT (LONDON).

Mr. J. W. Buckley has accepted the appointment as acting, non-executive chairman of ALRED HERBERT during the current period of company reconstruction.

Mr. Neville Stokes, a director and general manager of S. J. CHEMICALS, has been appointed managing director of that company, which is a member of the Salomon Group.

Following the death of the late Mr. J. E. STANLEY AND GENERAL INVESTMENTS, Sir Leonard Dyer, the company has

Top designs for FT prize

By H. A. N. Brodman,
Architecture Correspondent

THE THREE assessors for the Financial Times Industrial Architecture Award, 1975, have now selected six schemes as finalists from which one will be chosen as the winner after the six have been visited during the summer.

There were nearly 200 requests for entry forms and 76 entries were finally received—a satisfactory number in this depressed period for the profession and building industry.

The following are the six projects shortlisted: 1—Longmeade Farm, Prestbury, Cheltenham. Architects: Ralinger, Rogers and Smithson. 2—New Covent Garden Market, Nine Elms, London. Architects: Gollins Melvin Ward Partnership. 3—Carlsberg Brewery, Northampton. Architect: Knud Munk (with Ove Arup and Partners). 4—Computer Building for Northern Gas, Kingtonworth. Architects: Ryder and Foster. 5—Farnham, Auchinloch Distillery, Banffshire. Architects: Westminster Design Associates. 6—Heavy Plate Shop Complex, H.M. Dockyard, Portsmouth. Architects: Arup Associates.

The three assessors are Sir Colin Anderson, Professor Peter Shephard, and Professor J. Napper.

LATEST WILLS

Sir Martin Davies, former director of the National Gallery, left £109,309 gross. After bequests totalling £12,000, Sir Martin left the residue of his estate to the Trustees of the National Gallery. Baron Reid of Drum, a former Lord of Appeal in Ordinary, and a former Lord Advocate for Scotland, left £75,814 gross. Tax on estates no longer lower.

AT LAST!

a really flexible pensions deal for DIRECTORS

Secure an attractive retirement income NOW—and be free to add to your benefits as your needs change. What's more, YOU set your retirement date. YOU decide how much to take in cash or pension. There's life and income cover for your family too—plus company and personal tax benefits.

TAKE THE FIRST STEP TO FUTURE SECURITY. POST THE COUPON (NO STAMP REQUIRED) OR CONTACT YOUR INSURANCE BROKER

I am interested in a Directors Flexible Pension Scheme. Please send me details.

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COMPANY

ADDRESS

POSTCODE

TELEPHONE

sun life assurance society limited

FREE POST, LONDON, EC2A 2YH

STOCK CAPITAL PLEASE

HOME NEWS

Beryl A takes her place

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THE FIRST North Sea oil platform to be completed on time, the Beryl "A," is to start its journey to the Beryl Field on June 29 and will be producing oil by the end of the year.

First oil will come at the rate of 10,000 barrels a day from this discovery well and operators, Mobil North Sea, say that this is probably a record from discovery to production because the well was completed only in September 1972.

By the end of the year the production rate should be 20,000 barrels a day, building to a peak flow of around 100,000 barrels by 1977.

The participants estimate that the venture will involve a capital cost of more than £150m, and it will take another £10m a year to run the platform.

British crew

The 200,000-ton facility was built in Norway but U.K. suppliers have provided about £11m of the £30m worth of machinery and equipment. The drilling contract for 40 wells and worth between £30m and £35m, has been won by Berry Wiggins a U.K. concern.

Nearly all the £10m a year running cost revenue will go to U.K. companies and most of the 240 platform staff and 144 crew members for the two tankers involved will be British.

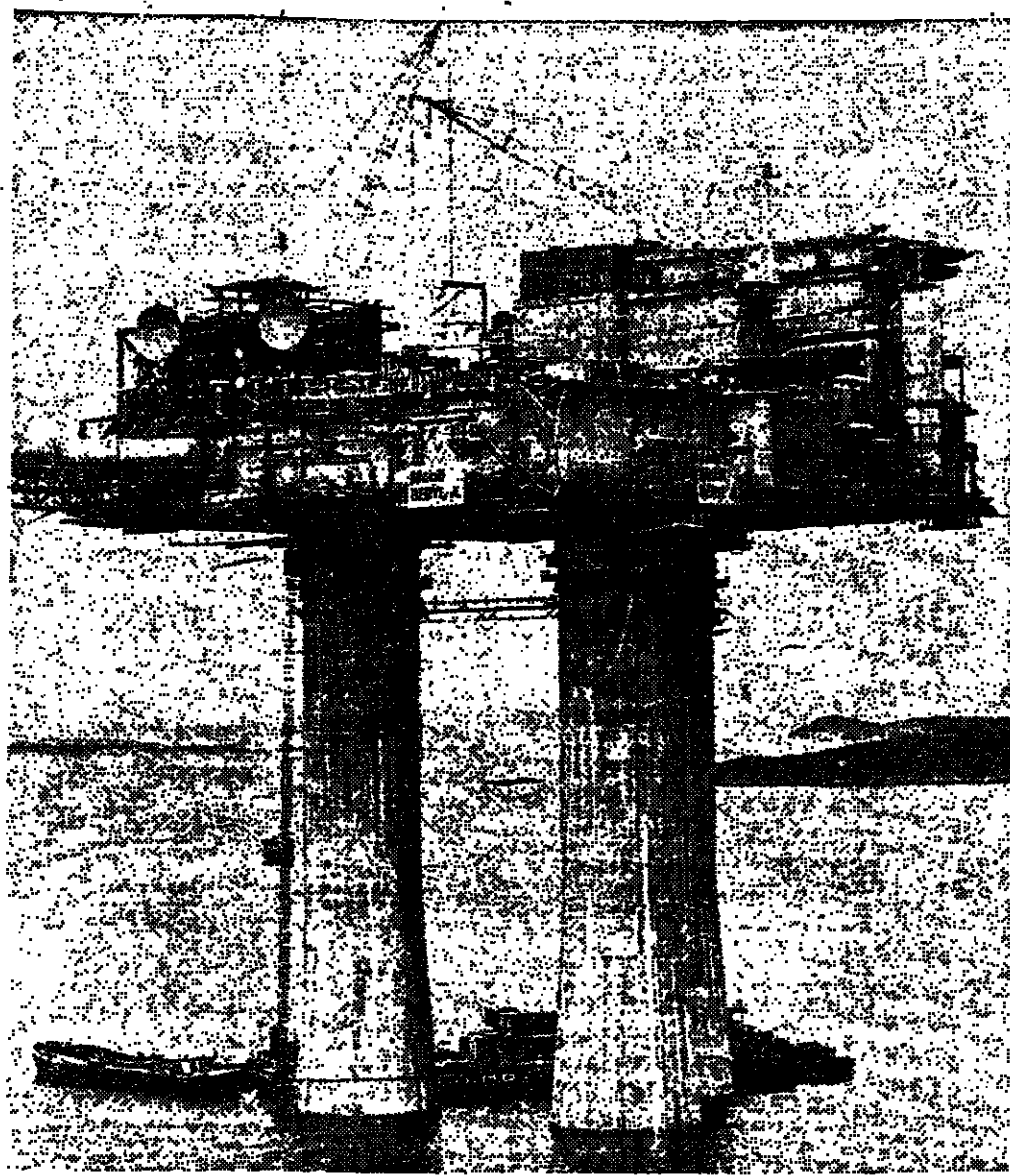
Mr. Byron Sims Jr., Mobil's Exploration and Production manager, said that the U.K. companies won their contracts against international competition. There had been some pressure from the Department of Energy to persuade Mobil to "buy British" but this was fair pressure.

A number of technical "firsts" have been chalked up by Beryl "A," which makes it the more surprising that Mobil is on schedule to begin the operation.

It will be the first concrete drilling and production platform to go into operation in the North Sea. A group of Norwegian companies formed a consortium to produce "the first combined concrete and steel platform ever built."

The concrete substructure, which cost about £30m, was built at Stavanger by A/S Hoyer-Ellesen, Ingeniør F. Selmer and Thor Furubohm. The £15m steel deck was built by the Aker Group with the U.K. concern M. S. Worley and Associates acting as consultants for the production facilities.

The Norwegian consortium is presently building three more similar platforms and there is the possibility that Mowlem and Taylor Woodrow might be given licenses to build them in the U.K., but this apparently depends on whether the British companies



Beryl "A," first of the new-generation of concrete gravity structures for the North Sea in Stavanger, ready for towing to the North Sea at the end of this month.

can get the necessary planning permissions.

Plans to build the so-called Condeep structures at Drambuie in Western Ross were turned down after a public inquiry. One at a site Kishorn, is only just beginning development.

Beryl "A" will also be towed from Stavanger with more than 90 per cent of its heavy engineering equipment already installed—thus avoiding the very expensive job of installation at the Beryl Field—most northerly of the North Sea fields and 85 miles South East of the Shetland Islands.

Mobil maintains that this type of platform is more economic because it also saves on maintenance costs and because 16 of

the concrete cells which make up the base are hollow and will store crude oil.

Another innovation will be a single point mooring facility, a 500 feet steel tower which will be anchored to the seabed by a 1,400-ton steel and concrete base and which can tilt in any direction up to 20 degrees in bad weather.

From this mooring up to 40,000 barrels of crude oil an hour can be loaded into the tankers.

The quality of the oil from Beryl Field is very good and Mobil estimates there could be 20 to 25 years of profitable off-take as the estimated reserves in this field are in the range of 500m. to 750m. barrels.

"Taking an optimistic view, point it is just possible that our appraisal drilling programme might sometime in the future allow us to increase this reserve estimate," said Mr. Sims.

"But I must emphasise that there is also the chance our present estimate is too high and that we might find ourselves with an uneconomic venture at the end of the day."

Participants in the Beryl Field group are, apart from Mobil with 50 per cent, Amerada Petroleum Corporation of the U.K. (20 per cent), North Sea Inc. (better known as Texas Eastern) 20 per cent, and the Gas Council (Exploration), 10 per cent.

U.K. 'will recover cost of oil stake'

BY RAY DAFTER

THE GOVERNMENT plans to recover its cost of participation in North Sea oil "very quickly" and be "adequately remunerated," Mr. Anthony Wedgwood Benn, the new Energy Secretary, told a Commons committee yesterday.

But he would not be drawn on how much State participation would cost, saying only that it would be much less than some MPs had predicted. (Conservative MPs have quoted figures as high as £5bn.)

"I should be surprised if the total cost over the next few years was more than a fraction of the cost of developing all known fields," he told the Petroleum and Submarine Pipelines Bill Committee.

Mr. Benn was frequently pressed by Opposition parties to give some indication of the cost of participation. He answered that the so-called "cost" was really a shorthand reference to the initial outgoings from public funds.

"Our aim is that these outgoings will ultimately be recovered in such a way that participation places no net burden on public funds. It will, over a time, be self-cancelling."

He reiterated the Department's intention that payments made on account of participation would be designed to ensure that companies who accepted a Government stake would be financially no better or worse off. Discussions were now being held with companies over how this principle could be put into effect.

If the companies were left no better and no worse off, as far as net revenues were concerned, "it follows that the Government will be no better, no worse off financially," the statement drew noisy protests from Conservative MPs.

The Bill provides for the establishment of the British National Oil Corporation and empowers the Government to share in all aspects of North Sea oil development—from exploration to retail operations. Mr. Benn said it was the Government's aim to get rapid repayment of its outlay, once production started. Production had already started and within a couple of years it would reach 50m. tons, worth £2bn. a year.

First British oil comes ashore to-day

FINANCIAL TIMES REPORTER

THE FIRST oil extracted from the U.K. sector of the North Sea will be pumped ashore this morning at BP's Isle of Grain refinery on the Thames Estuary. In a ceremony to mark the start of one of the most promising economic developments in the U.K. since the war, the new Energy Secretary, Mr. Anthony Wedgwood Benn, will turn the valve which brings the oil ashore from the Liberian tanker Thegeonator.

The consignment of 84,000 barrels comes from the first two production wells of Hamilton Brothers' Argyl Field, which lies South-east of Aberdeen. Argyl will have an expected

peak production of about 40,000 barrels a day, or some 2 per cent. of current demand in Britain, making it one of the smaller fields. Sharing in the venture are Hamilton Brothers, the U.S. independent oil company, as well as Rio Tinto Zinc, Associated Newspapers, Kleinwort Benson and the U.S. major oil company, Texaco.

To-day's oil represents only a trickle compared with what is to come. The entire development programme has been held back by up to 18 months but latest estimates suggest that the country should be able to reach overall sufficiency by the turn of the current decade.

Little impact in South-west from offshore search

FINANCIAL TIMES REPORTER

THE authorities in the South-west of Britain are forecasting that offshore oil exploration and development in their waters will be on a much smaller scale than in the North Sea. The search for hydrocarbons is unlikely to have any major social or environmental impact on the region, according to a report being studied by the South-west Economic Planning Council.

The report, prepared jointly by Devon, Cornwall and government officials, estimates that there could be three rigs operating in the waters by the end of this year and perhaps three more next year.

Facilities in Cornwall and Devon during the exploration stage of offshore development would be relatively small and could be met by Falmouth, Fowey and Plymouth. The threat to the environment was estimated to be no greater than that from industry's normal development in the area.

Looking ahead to the possibility of offshore gas fields, the working party proposed that the British Gas Corporation and local authorities should survey the area to determine areas where a future gas terminal would cause least environmental harm.

Westminster in need of masons

A SHORTAGE of skilled craftsmen to cut stone and glass means that Westminster Hall at the House of Commons, damaged by bombs a year ago to-day, is still undergoing repairs.

Craftsmen versed in traditional skills are needed to cut Cumberland slates for the roof, which was badly damaged in the explosion. Glaziers experienced in working with ultra-thin glass and lead were also needed to restore the fine East window.

"The glazing will take some time yet, but all the repair work will be finished by the end of summer," a spokesman for the Department of the Environment, which is in charge of the work, said yesterday.

Woollens by computer

MORE WOOL textile mills are looking to computers to help them through the present economic difficulties and prepare for the expected boom in the future, it was stated at Bradford yesterday.

The industry's management services centre, which has created a computer division to advise and help companies is holding an exhibition which has drawn a good response.

Mr. John Oxley, head of the computer division, said that while the industry might have been slow in the past to make use of computers the latest techniques had created renewed interest. This related particularly to production and stock control, which could lead to vital savings and improve operating efficiency. He thought that computers might be used as an aid to designing in the future.

Dim outlook for pension funds says Minister

By Eric Short

THERE CAN BE no long-term future for funded occupational pension schemes in a continuing state of negative yields on investments Mr. Brian O'Malley, Minister of State for Pensions, admitted yesterday at an Industrial Society conference on pensions.

It was essential, he said, for the rates of inflation and wage and salary increases to be drastically reduced so that the returns on pension fund assets could match the accumulation of pension benefits. Otherwise, funded schemes could not be expected to continue for long.

Mr. O'Malley said, however, that he did not take a gloomy view of the future and expected a big improvement in the economic situation.

The Social Security Pension Bill which is now before the House of Lords was intended to end the "two nations" state between those pensioners who have or do not have a second pension. Mr. O'Malley pointed out that it was also designed to establish a viable partnership between the State and the occupational pensions industry.

The Government, he had already made three important changes to its original proposals following discussions with the industry. He was still willing to consult with the industry on any aspect of the Bill until it became law.

Mr. Harry Lucas, head of the pensions and social services department of the General and Municipal Workers' Union said that it was essential for employees and their representatives to be allowed to participate in all aspects of pension fund negotiations and administration on a 50-50 basis.

Unions would continue to press for legislation on employee representation. If employers decided not to contract out of the proposed State scheme, unions would seek to negotiate new pension schemes designed to "ride on top" of the State benefits.

These schemes would provide, on a non-contributory basis, those benefits not given by the State scheme such as lump sum benefits on retirement or on death in service.

Start for fast tram prototype

THE PROTOTYPE tram for Newcastle's £143m. rapid transit system began operation for the first time yesterday along a 11-mile stretch of electrified test track near Wallsend.

THESE DAYS YOU NEED A PHILIPS COMPUTER SYSTEM, NO MATTER WHAT THE COST.

And it could cost very little.

I need a computer like I need a hole in the head, you may be saying. That's fair enough, a lot of people may think that a computer is a luxury in the tight economic climate of 1975.

But that's not quite true if you think about it. What all companies will need more than ever before is good cash-flow linked with curbs on labour costs and overheads.

And those three areas, cash-flow and curbs on labour costs and overheads, are exactly where computers can be of help.

Take cash-flow. A computer will almost certainly make your invoice/statement system a lot more efficient. It will also help you to know where money is coming from and where it isn't. Not last month's figures either, but right up-to-date figures, available when you need them.

A computer can take over all the routine tasks of accounting, so it leaves your staff free to concentrate on more important projects. It also means you don't have to employ extra staff to cope with these mundane problems. And with staff cost inflation at over 25% p.a., that's quite important. And, of course, if you don't need extra staff you won't need extra floor space or heating and so on. So you'll successfully curb overheads.

Philips have a whole range of Computer Systems, for all sizes of company.

Prices start at around £5,600 with the smallest in the range, the 310 Electronic Accounting System. Then comes the 320. That's basically the 310 with Magnetic Ledger Cards.

The 350 is a full Visible Record Computer and can be extended with peripherals to take care of even the largest accounting problems. And each system has on-line capability.

What the range means to you as a businessman is that whatever the size of your company, we have the equipment to help you.

Purchase is simple. You may prefer direct payment or leasing, which is available through Philips' own finance company. In most cases you will be eligible for Corporation Tax

allowances which can cut your outlay by half. And whichever method you choose, of course, you'll enjoy the security of the matchless after-sales service and maintenance that only a large, multi-national company like Philips can offer you.

Fill in the coupon and send it to us. We'll get one of our salesmen to call and tell you more.

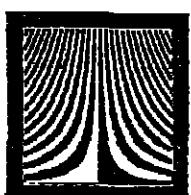
Simply years ahead.

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PHILIPS



The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

BANKING

Growing competition from Sweden

EARLY next year, a comparatively small subsidiary of a big Swedish-controlled multinational will put the finishing touches to the biggest banking network attempted anywhere. Scandinavia Savings Bank system, straddling the four Nordic countries will have apart from its central machines, 4,000 terminals and 4,000 branch mini-computers worth about £20m. to the supplier, Datasab.

This bustling company, which recently broke into the U.K. banking market, with a large order from the Central Trustee Savings Bank, has also secured a strong foothold on the extremely tough American market with a showpiece installation at the Southeast First National Bank of Miami.

Datasab made banking history there by putting its counter facilities equipment on line both to Burroughs and to IBM main computers, a task which many terminal equipment makers would boggle at.

Now many U.S. bankers are having a very close look at the Miami installation and not just for the sake of a trip to Florida. It has not gone unnoticed that the Swedish equipment is outstandingly reliable. Jan Hull, the international marketing director, claims 4m. hours operations on current design minicomputers and 10m. on terminals with an availability of 99.7 per cent.

Even on the printers there are no more than three faults per

year per terminal and work is in hand to halve this.

The big Scandinavian network is a hefty slice of the company's total business: somewhat over half. But it would be wrong to assume that it was won in a protected environment. Philips, Nixdorf, Olivetti and Incom are competitors and the Swedish company gets no local preference, to the contrary.

Painstaking

Undoubtedly the secret is the painstaking approach it applies to all its products, learned when it began to make navigation and fire control computers for the Vigen, the Swedish supersonic fighter which has a performance comparable to the best current U.S. machines at much lower prices.

Requirements here are for 100 per cent. verification of active components and performance of less than 0.02 per cent. defects in the printed circuit modules. Requirements here are for 100 per cent. verification of active components and performance of less than 0.02 per cent. defects in the printed circuit modules.

Planned expansion provides for a second plant at Linköping next year with power supply

manufacture aimed at 3,000 a year and needle-printer and terminal keyboard output to increase fivefold to 25 a day.

For banks alone, over 2,000 complete systems are scheduled for delivery next year.

The company is planning to build the peripherals: it requires under licence. This is mainly because it prefers to have total responsibility to its clients for quality control over the complete systems it makes. It is one thing to string together a number of separate units from different manufacturers and make the ensemble work in a test room environment, says Jan Hull. "It is a totally different thing to place such equipment in the hostile environment of a working area with problems of static, widely fluctuating ambient temperatures and so on. Datasab prefers to have all these factors under its own control."

The intention is to extend checking procedures and the present component watchdog system. This relies on a network of keyboards connected to a small computer system through which senior quality control personnel report on component failures at crucial points in the testing sequences as the printed circuit boards move through the plant.

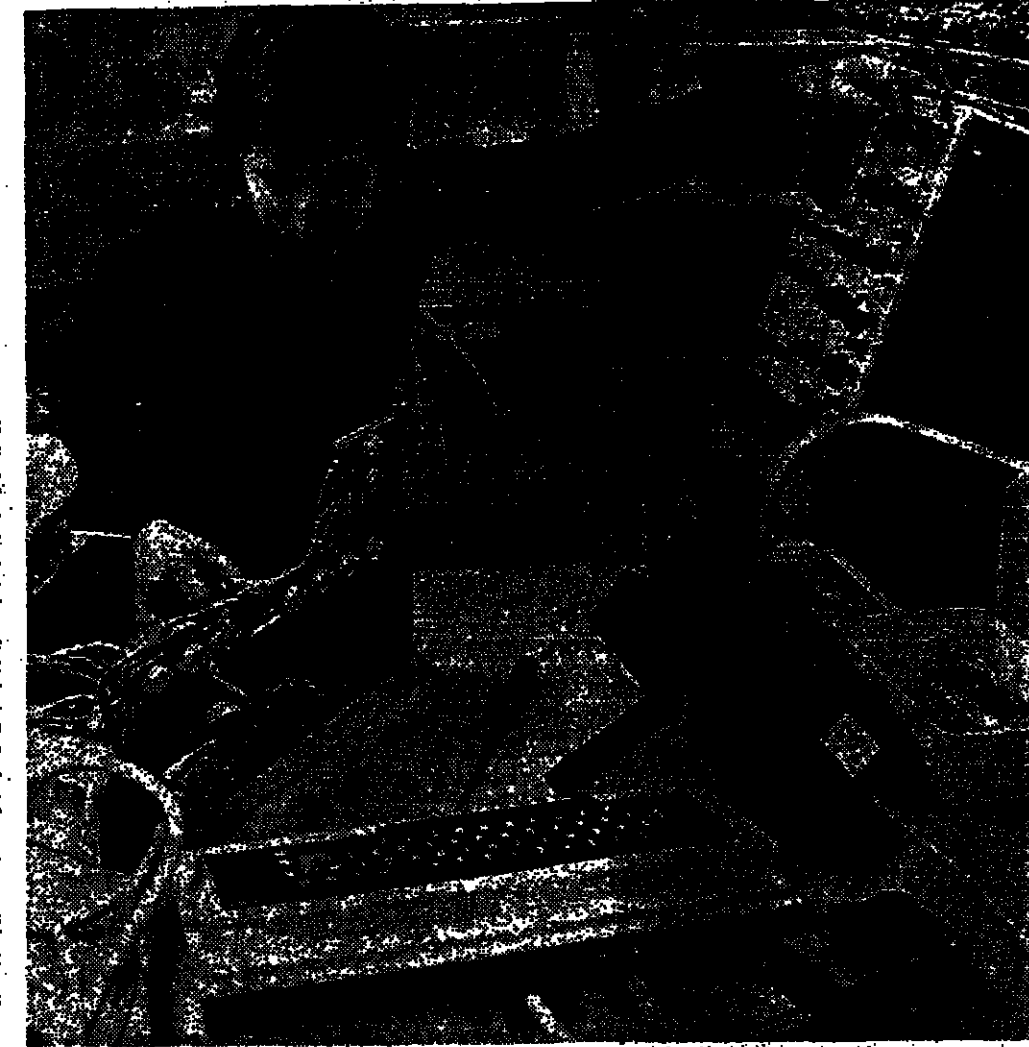
The various reports from the check points are collated and

analysed and the company has a running verification on the quality of components bought in. Erring suppliers, thus can be warned that their product is falling below standard and the components themselves intercepted before they can get into and ruin a costly finished board of sub-assembly.

In the immediate future, the company will be talking to a number of British banks, Barclays in particular, bidding to replace the Burroughs TC500 terminal machines with Datasab units. It is understood that in the next two to five years all terminals of this vintage will be replaced in the U.K.

In the further distance is the possibility of a business deal with the Soviet Union which can only be called a "manufacturer's dream." It is the automation of the Soviet banking network which would need between 150,000 and 220,000 terminals worth several hundred million pounds.

Obviously, Datasab could not possibly make all this equipment itself, nor cope by setting up several plants. Finland, to service this giant market. But success in the USSR would nevertheless mean a vast expansion in Datasab activities and a heavy responsibility to see that Chinese copy factories were set up in Russia and operated with the same degree of quality control as in Sweden.



Checking station in the production of Datasab minicomputer logic boards with the component failure communications keyboard in the foreground.

INSULATION

Cavity wall problem rumbles along

THOUGH the Agreement Board formaldehyde insulation and has stated unequivocally that it leaves only the reputable firms, mineral fibre does not suffer. But many councils, confused by mineral capillary moisture tests, the DoE directives, are hesitant when installed in cavity walls, which is the problem of deciding walls—that is, cannot cause, damp and to whom relaxations of terms walls to become damp, subjected to driving rain—many Local Authorities are jumping.

Mineral fibre cavity wall fill is not use foam. The insulant is a dry, mineral fibre of Rockwool. There has not been one have given the whole process of thermal insulation of houses a bad name.

Because of this situation and the confusion in many Local Councils, who now find their development and building sections faced with yet more regulatory work, Rentokil has put a clear proposal to the authorities at large offering to indemnify them from any liability which may arise from relaxing Section C9 of the 1965 Building Regulations which said that the cavity in walls between inner and outer leaves should not be bridged.

Standard equipment includes a support bar which is threaded through the connecting rod little ends to rest in grooves in the heater cores, and a set of three temperature crayons.

The machine is available direct from Tretco, Ferndown Industrial Estate, Wimborne Road West, Wimborne, Dorset (Ferndown 7444).

Trouble began in February when the Department of the Environment ruled that cavity wall insulation contravened its own regulations. It is said to be a council that it does not want to accept full responsibility for the work it does.

Providing an indemnity is an exceptional step. It remains to be seen what the councils will do as their statutory duties, bearing in mind that DoE said in effect: "Observe the paragraph, but relax it."

Rentokil is at Felcourt, East Grinstead, Sussex RH18 2JY. Tel: 01456 23661.

charge converters and a double winding motor of 2 x 400 kW rating.

Weight is 400 tonnes, supported by 12 x 24 metre diameter wheels, driven in pairs by 80 kW wheel-mounted hydraulic motors giving a top speed of 1.5 k.p.h. Two steering systems allow the machine to rotate 360 degrees on its own axis in two minutes.

A jacking system raises the wheels when the machine is in operation, and it then rests on a base structure for stability. It can be fitted with any type of crusher, such as jaw, hammer mill or slinger roll to suit requirements.

The company's U.K. office is at Scotia House, 88 Goldenbury Road, Woking, Surrey GU21 1LQ (04566 06412).

SAFETY Produces very fast braking

RAIL guided machines and vehicles can be brought to a dead halt in a fraction of a second. It is claimed, using an emergency braking system developed by Walsall Controls, Dial Lane, West Bromwich, West Midlands B70 9BB (02457 1371).

Originally developed for stopping the exposed spindles of machine tools, it is suitable for any kind of rail-guided heavy structure powered by an AC motor.

It consists of a double injection braking unit, a compression-spring loaded "stop put" push button and a signal steel plate. The plate is fitted to the front of the leading wheel of the machine, and the push button is fitted to the trailing wheel.

The motor is mounted and driven by a spring-loaded buffer, which is fitted into the windings, bringing the machine to a stop.

No holding torque is produced. A and no reverse action is possible. The system is not affected by any kind of vibration or shock.

Applied to the drive motor, it is used for stopping the machine, for example, when a load is being carried out by a plant technician.

Mounted on pneumatic tyres, the units can be either self-propelled or towed. A typical plant operating in a lime quarry at La Courneuve has a capacity of 500 tons/hr. of the system, the "stop put" button is carried out by a plant technician.

Walsall Controls, Walsall, West Midlands W.V.1 1AA (091580 8632).

DESIGNED AND built by Five-Call Babcock S.A., of Paris, a range of mobile crushing and screening plants capable of handling blocks of stone of over one cubic metre at rates up to 300 tons/hr. is now available in the U.K.

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PROCESSES

Lower cost quality control

A STANDARD range of mini-computer systems, offering substantial productivity benefits in quality control procedures, yet requiring no computer experience or programming knowledge has been introduced by the EMI group.

Reliable and practical, these fault reporting and production analysis systems are truly revolutionary in that they eliminate all paperwork, keyboard entry, card punching, verifying and computer coding of products or fault types associated with conventional data capture. Quality assurance productivity increases because manual recording of inspection information is obviated—the operator simply

uses speech to communicate with the computer, leaving big hands free to handle the product or test equipment.

EMI Threshold, of Hayes, Middlesex, is marketing four computer systems based on the VTP 100 computer ranging from a simple question and answer routine—guiding the quality control inspector through a predetermined series of tests, allowing him a choice of fault responses—to a sophisticated reporting statistical analysis and report writing system.

Training

Operators require only one hour's training to become proficient, gaining the considerable advantages of this revolutionary technology. In addition, standardisation in both hardware and software ensures that the minimum installation time, user training and maintenance is necessary.

EMI Threshold VTP 100 system gives the quality inspec-

tor complete mobility enabling him to use both hands to manipulate the inspected item while speaking his findings through a head mounted, noise cancelling microphone. In normal use, the system is controlled by a display monitor against the tolerance limits displayed. Additionally, at any time during the quality control operation a record of all results is available, either in typed form or as a computer printout.

Prices for the four system packages cover both hardware and programming with customers' individual terminal, terminal range from £12,800 for the basic package to £16,500 for the most comprehensive package. The systems comprise a speech pre-processor unit, mini-computer, visual display unit, microphone headset, standard teletypewriter and standard software.

This policy of offering complete systems at a fixed price is based on standard hardware and software expertise.

Further voice-operated data processing systems are shortly to be announced for numerical control machine programming, computer-aided design and inventory control.

Heaters for small shops

LOW-COST induction heaters for pre-heating connecting rod little ends, flywheel ring gears and similar shrink-fitting components, from Tretco, of Wimborne, Dorset, are understood to be the only ones suitable for the smaller engine rebuilding shop.

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LABOUR NEWS

Electricians get 18-24.5% in 'responsible' pay deal

BY CHRISTIAN TYLER, LABOUR STAFF

NATIONAL PAY rates for 70,000 labourers' rate, putting the main workers in the electrical con- grade up from 125p to 150p an hour for a 38-hour week. The industry's joint Board has added 27p an hour to the skilled rates and 20p to the

what inflated figures quoted in recent pay discussions throughout the country.

The new agreement also introduces a "second tier" of rates, 10 per cent. lower than the standard rates, on which incentive schemes, approved by the joint industry Board, can be based.

This is a significant departure for the industry, which hitherto has had only one set of rigidly-controlled rates for the four main grades. The policy goes back 50 years, although some employers and sections of the Electrical and Plumbing Trades Union have been pressing for relaxation.

The new system will allow some flexibility of earnings, and is intended to lead to higher productivity—a "national aim" the employers said. The JTB publishes guidelines for incentive schemes and requires employers to register their proposals.

Flat-rate increases have been applied to the main rates—favouring the lower-paid in percentage terms—correcting distortions caused by the percentage rises which featured during statutory pay control.

The 1976 rates will be: 175p an hour for electricians, 150p for apprentices, 137p for electricians, and 106p for labourers. Supervisors may be paid between 23p and 10p—responsibility money, and there is a 9p-an-hour addition for London workers.

Indexed deal for Littlewood shop workers

LITTLEWOODS and the Union of Shop, Distributive and Allied Workers have signed what is believed to be the first index-linked pay agreement for shop workers.

Payable from June 2, the agreement gives Littlewoods' 15,500 employees in 100 shops, initial rises of between 3.55 and 5.55, plus provision for further cost of living increases.

On November 1 and their quarterly up to October next year, they will receive automatic increases matching the percentage rise in the Retail Price Index above the level of 132. This figure has already been exceeded by the May RPI published last week, which took it to 134.5.

Management and USDAW have also agreed to examine the progress of the indexation experiment next May to see how it compares with general wage movements elsewhere.

The agreement follows two earlier index-linked deals with USDAW and the General and Municipal Workers' Union, covering Littlewoods' Liverpool head office staff and mail order division. A fourth such deal covers supervisors and middle and junior management throughout the group.

More money for lecturers

Some 60,000 lecturers in colleges of further education and polytechnics are to get an average 20 per cent. rise at the lower end of the scale getting increases as high as 30 per cent. because of a minimum rise of 2,000.

At the top end lecturers earning £8,000-plus will receive an extra £1,350 including threshold.

3,000 steelworkers strike in protest over shift losses

BY OUR LABOUR STAFF

NEARLY 3,000 steelworkers were on strike in South Wales yesterday in protest against loss of week-end shift work as a result of the British Steel Corporation's agreement with their union on an alternative programme to forced redundancies.

A small group of workers was also out at the Gartcosh works in Scotland, stopping all production there.

All the men on strike are members of the Iron and Steel Trades Confederation, the major manual steel workers' union, whose officials claim the BSC is wrongly interpreting the alternative programme in trying to abolish week-end shifts at the plant.

The agreement, which was reached with the Steel Com-

mittee of the TUC on May 5, says that BSC can transfer people from shift to regular day work provided that certain incomes guarantees are maintained.

The ISTC claims that it has a longstanding arrangement with BSC giving its members a certain amount of weekend work. This understanding, officials say, is now being violated. The union plans to raise the matter in official talks with the Corporation next week.

In the meantime, talks are continuing at local level. As a result, 800 men returned to work at the East Moors plant near Cardiff yesterday. But some 2,500 men were out at Port Talbot, and some 300 at the Llanwern plant in Newport.

Pilkington revised pay offer goes to ballot

BY OUR LABOUR STAFF

A REVISED pay offer to 9,000 Pilkington Glass workers, which would raise rates by an average 33 per cent. over last year's level, has gone out to ballot.

The offer covers workers at General and Municipal workers' Union said yesterday. The offer includes a new threshold clause triggering when the Retail Prices Index reaches 136.

Existing £4.40-a-week threshold is included in the windmill on Wimbledon Common but both had been refused because the windmill had lost most of its machinery and was not of outstanding historic or architectural interest, Baroness Birk, Under Secretary, Environment, told the Lords yesterday.

No grant for windmill

TWO APPLICATIONS had been received for a grant towards the cost of restoring the windmill on Wimbledon Common but both had been refused because the windmill had lost most of its machinery and was not of outstanding historic or architectural interest, Baroness Birk, Under Secretary, Environment, told the Lords yesterday.

Stable lads' pickets out at Ascot

NEWMARKET stable lads picketed the racecourse at the start of the Royal Ascot meeting yesterday and distributed pamphlets explaining their pay dispute with trainers.

To-morrow, Gold Cup day, they plan to march down the course past the grandstand, but a spokesman said they would avoid any action that could lead to the violence seen at the Guinness meeting in Newmarket last month.

BBC television coverage of yesterday's races was affected because the Association of Broadcasting Staffs had refused to cross picket lines to set up their equipment.

Meanwhile, Mr. Jack Jones, general secretary of the Transport and General Workers' Union, which represents the 200 lads on strike, wrote to Mr. Michael Foot, Employment Secretary, asking for an inquiry into racing's industrial relations.

His intervention will be a surprise to the Minister, who has often stressed that the handling of all disputes and inquiries has passed to the independent Advisory, Conciliation and Arbitration Service—of which Mr. Jones is a strong supporter.

Ford doorhangers to hear peace formula

BY LORELIES OLSLAGER

A FORMULA to end the eight-week-old strike of doorhangers at Ford's Dagenham plant will be put to the men concerned today amid hopes that work can resume later this week.

Officially, the formula is being kept secret until it has been submitted to the men, but it is understood that both unions and management are now ready to compromise on the central issue of manning levels—the unions apparently making the greater concessions.

In fact, there are reports that shop stewards in the body group where the doorhangers are employed have refused to endorse the formula, which was worked out in talks between the local management and district union officials.

Both the major unions involved, the Transport and General Workers Union and the Amalgamated Union of Engineering Workers, made the strike official two weeks ago, but have shown no great enthusiasm for the dispute.

It started with attempts by the management to reduce the number of doorhangers employed on a shift from 25 to 15 in a general efficiency drive which also led to the short-

lived occupation of the Swansea plant last April. The 56 doorhangers, traditionally a very militant group, promptly went on strike—

together with a number of fender-makers—and within days all car production at Dagenham came to a halt. Some 5,000 other workers had to be laid off and up to now the company has lost production of about 15,000 cars worth £30m. in salesroom terms.

Until last week, unions and management remained completely deadlocked over how to bring about a resumption of work. The company insisted that it must be at the reduced manning levels, which could then be studied and adjusted, while the unions insisted that work could only be resumed on the basis of the status quo.

The breakthrough came late last week, and since then there have been almost continuous talks on the compromise, which is believed to involve a resumption of work with more than 18 but less than 25 doorhangers on each shift—perhaps a total of 20. The management would have the right to reduce the number to 18 if work studies show that the extra men are not needed.

Threat of full strike at Rover

BY OUR MIDLANDS CORRESPONDENT

ROVER management of British Leyland will try to head off an all-out strike by 10,000 workers

at its Birmingham and Cardiff factories when negotiations over a pay claim go into their final stage to-morrow.

Their three-day warning strike, which ends today, has halted all vehicle output at the Solihull plant and will have cost Rover more than £2m.

The limited strike was the result of an offer raised by only 20p to 80p over the £6 interim that has been paid since January, the start of the new pay year. Also included in the package are improvements to have given notice of strike cars.

Chrysler is again faced with a shut-down next week by a strike of 350 at a subsidiary plastics components factory in Coventry.

They have been out since a major pay strike was settled a fortnight ago demanding payment for the period laid off.

If it continues next week thousands of workers will again have to be laid off at the Avoncray factory in Coventry and the Lup and Hunter plant at Linwood, Scotland, which have been assembling incomplete cars.

TUC leaders meet Benn to-morrow

BY OUR LABOUR STAFF

TUC LEADERS are to meet Mr. Anthony Wedgwood Benn, newly appointed Energy Secretary, to-morrow for general discussions on energy policy.

To-day, they are due to see the Home Secretary, Mr. Roy Jenkins, to press again for release of the two jailed Shrewsbury building pickets. Mr. Jenkins has agreed to recon-sider parole for the two men but has stood firm against union pressure to grant their release.

Also, to-day, the TUC economic committee will take up an invitation to meet the Prime Minister to discuss the industry Bill.

Meanwhile, the country's third largest union, the General and Municipal Workers, stressed again yesterday that in its view moderation on the wage front under a revamped social contract requires Government action to hold down prices, if necessary by a three-month freeze, and reduce unemployment.

The GMWU's general council has endorsed the idea that the unions should content themselves with seeking fair rises in the next round of wage bargaining.

David Bannett, the general secretary said. But, he added, the social contract "is about more than wages." The GMWU wanted to see the inflation rate reduced to levels existing in other industrialised countries, and to see prices cut in the shops. If necessary, the Government ought to introduce a three-month price freeze starting in September.

In addition, Britain needed active economic intervention and planning mechanisms in the right direction.

Mr. Bannett would not say the GMWU was making support for wage moderation dependent on having its economic policy conditions fulfilled, but he stressed that in his view, one could not be discussed without the other.

Mecca's Mr. Morley keeps up with the 'Jones plan'

BY OUR LABOUR CORRESPONDENT

THE SO-CALLED "Jack Jones" plan for flat-rate pay increases for all workers received support from an unlikely source yesterday, when non-unionised Mecca announced across the board increases of £10 for all 15,000 employees including chairman Mr. Eric Morley.

Mr. Morley said yesterday that the award, payable from last Monday, was worth between 5 per cent. for management grades and 33 per cent. for the lower paid with the majority getting about 15 per cent.

This compares, he claimed, with rises of about 30 per cent. which would have been forthcoming under Mecca's normal arrangement of matching the rise in the cost of living plus 2 per cent. to improve living standards.

Only two strong objections

were raised to the idea when Mr. Morley floated it in his weekly staff bulletin, although many staff were concerned at being "caught for mugs" if workers elsewhere achieved better increases.

Mr. Morley said yesterday that he had promised Mecca employees "who are cooperating with me to help the country" that he would re-examine the situation after six months and adjust wages accordingly.

Although Mecca does not recognise trade unions, Mr. Morley is on pretty safe ground as far as they are concerned since the two with most ambition to represent Mecca staff are the Transport and General Workers' Union and the General and Municipal Workers Union—both supporters of the "Jones plan."

NHS ban on agency nurses

BY OUR LABOUR STAFF

AREA HEALTH authorities are being urged by the Department of Health to phase out use of agency nurses in their hospitals "as a matter of urgency."

A circular sent out yesterday says they should "reduce and, where possible, eliminate" employment of the 4,000 agency staff, the majority of whom operate in London.

News of the move was loudly applauded by union delegates of the Confederation of Health "log banks."

Service Employees at their annual conference in Blackpool yesterday.

Dr. David Owen, Minister of Health, told the delegates of the move in a speech warning workers not to oppose the spirit of the social contract.

He said an essential feature of the agency ban—long demanded by trade unions and not only in the Health Service—would involve setting up NHS "nursing banks."

British Airways to seek higher domestic fares from November

BY LORNE BARLING

BRITISH AIRWAYS will seek a 6 to 10 per cent. increase in domestic fares from November 1, in line with the rise in the Retail Price Index, the airline said yesterday.

Mr. Peter Pinfield, deputy marketing director of British Airways, said in London that the exact increase to be submitted to the Price Commission would be decided over the next four or five days.

But he added that it would be in line with company policy, also followed by British Rail and British Caledonian, not to exceed the level of the RPI. The increase would be across the board.

British Airways, which had estimated that losses this year could be as high as £30m., now believes that they will be less than half this figure, with its overseas division showing a marked improvement in profitability.

Mr. Roy Watts, chief executive of BA's European Division, said: "On fares our policy is clear cut. We want to keep in line with the RPI, although we don't want to have to put up fares."

Domestic air fares of both BA and British Caledonian last rose by between 10 and 15 per cent. on April 1 and although BCAL yesterday denied plans for a further rise, it is unlikely it will remain out of step with the State airline.

Announcing the 200,000th passenger on BA's Glasgow air shuttle yesterday, Mr. Watts said he believed there was no justification for a rise in fares by BCAL for a price differential on the service. But with the November price rise, a single flight would probably go from £19 to £20.

Although the service was not yet making a profit, its time-keeping record was excellent and negotiations for similar flights to Paris were being conducted. The load factor to and from Glasgow was 62 per cent. and break-even point was around 69 per cent.

New contract

Mr. Watts also said that BA was "well advanced" in negotiations with Saudi Arabian Airlines for a valuable contract to provide engineering support for their TriStars. Negotiations were also

going ahead for even more co-operation with Gulf Air, including crew training.

It is estimated that if these and similar arrangements are finalised, they will be worth about £2m. a year to British Airways, in addition to the £4m. earned by BA already.

Trans World Airlines yesterday raised its commission rates to travel agents for international flights from 7.5 to 15 per cent. This follows similar increases by Pan American and British Airways, but it raised new fears that the commission "price war" may spread further.

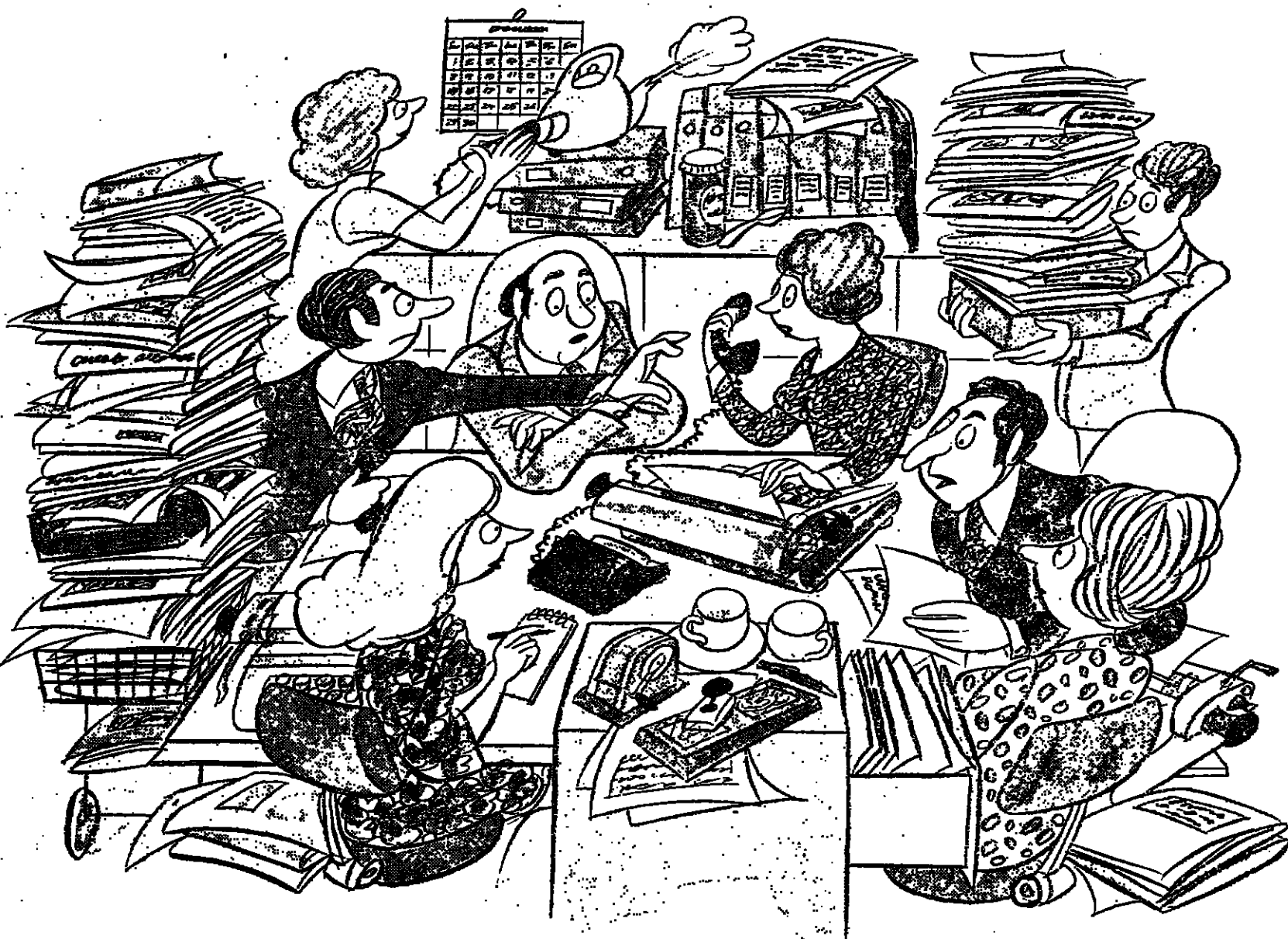
The new move follows a warning by Mr. Knut Hammarstrand, director-general of the International Air Transport Association, that higher "incentive bonuses" paid by airlines would increase airline costs and be of no benefit to the travelling public.

Pan American was the first to raise commission rates and attempts by the Department of Trade to impose its views are now the object of contention, following a High Court ruling in the airline's favour.

TWA said yesterday that its new plan, effective with agents' July sales, called for a payment of the standard 7.5 per cent. base commission plus an extra one percentage point bonus.

This replaces a scheme under which TWA has been paying a 3 per cent. incentive bonus (in addition to the 7.5 per cent. base commission) on that portion of an agent's sales directed to TWA in any month that exceeds 90 per cent. of volume in the comparable month last year.

TWA added that it was seeking support for a joint marketing study of payment to travel agents for domestic airlines sales.



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FINANCIAL TIMES REPORT

Wednesday June 18 1975

MARINE AND AVIATION INSURANCE

Keen competition and some uneconomic rate-cutting have troubled the market in recent years. There are signs now of more orderly conditions, with London reasserting its traditional role as a leading world centre.

Another turn of the wheel

Despite sharp increases in the cost of repair for vessels, in some cases fleets were being renewed either on the same terms as expiring, or with slight reductions. It was quite clear that there was little prospect of an underwriting profit being made, and shipowners appreciated that they were obtaining their insurances at less than "cost price."

There is little doubt that much of the overseas competition, particularly from the U.S., was writing business with a view to the capital appreciation which could be earned on the premiums. In practice, it is likely that any capital appreciation has been appreciably less than envisaged. In some cases there may well have been capital losses. Add to that the fact that, due to inflation, underwriting losses have been greater than those anticipated, and it is clear that the "cut price" competition has not had a very happy time over the past few years.

Solvency

Particularly in the U.S., insurance companies are facing problems over solvency margins, in view of the drop in the values of assets. To some extent, in both the marine and aviation markets (but more particularly in the latter), much of the competition which British insurers have had to meet was fuelled by the surplus "surplus" funds of certain life offices. Now, perhaps only one "surplus" is applicable. Certainly the competition is dying away rapidly.

Many of the insurers which were busy cutting premium rates are having to reduce their commitments, which means that much more business is available to other markets. As the competition got underway, the more responsible British insurers decided that some business must be allowed to go

elsewhere. They were not prepared to write it at what appeared to be hopelessly uneconomic rates. For London insurers, however, specialising in particular classes, insurance it remains to be seen whether the world-wide market will have sufficient capacity for the major risks of the future. Certainly, which underwriters considered at the moment, the London market has capacity, and is anxious to write the business at such rates, rather than refuse to renew since, in that event, they might never see the business

again when it was rated on a profitable basis. Now the pendulum is swinging and gathering momentum. Once more, business is flowing back to London as the "cut price" competitors withdraw from the market with burnt fingers and problems over solvency margins.

Not only are British insurers recovering much of the business which they lost, but fresh business is flowing in, because domestic insurers in overseas countries do not want to handle it—for one reason or another. Over the past decade or so there have not been really should help to bring back profit-

confidence of those overseas to the security at present offered by the London market. The brokers hope that, in due way or another, it may be possible to offer guarantees to those from overseas who place business in the London market.

Certainly the security offered by British insurers has been an important point in favour of the market. In many cases over the past few years, some owners have placed only a modest proportion of their fleets with overseas "cut price" insurers, and have felt it prudent to place a significant percentage at a higher rate in the London market, in view of the much higher degree of security available. Here, brokers have played an important part, in pointing out to owners the possible drawbacks associated with "cut price" insurers. After all, the major British brokers operate on an international scale, and probably have a better knowledge than others of the whole international scene in insurance.

Of course, business flowing back to London is not the end of the story. Once rating has been established at a level which provides reasonable profitability, fresh competition can be expected. Often, the wheel turns full circle in about ten years.

This Report was written by John Gaselee

Disadvantage

The brokers informed the Secretary of State that failure to protect all classes using the international insurance brokers in competition with foreign insurers in a position of extreme disadvantage and it is the duty of the insurance industry to provide such protection.

Hull and cargo rates

OVER THE PAST two or three years it has been a buyers' market for those placing hull insurances. There has been a rapid growth in the capacity of the marine market, which has brought about intense competition. As a result, many marine underwriters can be expected to make substantial losses on their hull accounts.

While there is little doubt that 1971 and 1972 were quite good years for hull underwriters, at present it looks as though 1973 will at best prove to be no more than marginal. Last year is expected to show a loss and, bearing in mind the large number of renewals at the beginning of 1975, this year could well prove to be more serious for underwriters than 1974.

Now the position is changing. With the withdrawal of some of those insurers responsible for the "cut price" competition, there is a contraction of capacity, and thus those underwriters in the traditional market are anxious to put ratings back on a realistic basis. This year many London underwriters are looking for premium increases which will provide on average, 15 per cent, or more across the board for hull insurances. It should be stressed that the figure of 15 per cent. is an average, with the result that in some cases individual premium increases may be well above that figure.

This does not mean that hull underwriting is going to be profitable overnight. To some extent the speed with which profitability will return will depend on inflation. Not only have underwriters to make up a certain amount of "lost ground" from the past, but account must be taken of continuing inflation in the future.

Repairs

All the indications are that the cost of ship repairs is continuing upwards at an ever-increasing pace. The Salvage Association has reported that during 1974 there appeared to be a rise of more than 20 per cent. in every major repairing country.

Curiously, underwriters are not too worried about total losses—even though the total of 195 such losses in 1974 was the highest on record. At least, with a total loss, underwriters know straightaway how much will have to be paid, and they will have been able to charge a premium calculated on that amount. It is the damage claims which provide the most problems for underwriters. They account for as much as 75 per cent. of claims costs. Often, non-essential repairs are deferred for some years by owners—during which time, naturally, they escalate in cost. First, they are inflated by the higher cost of steel and other materials, and, secondly, by the cost of labour. In some cases, they are further increased by the effect of fluctuating rates of exchange.

At one stage, it was hoped that those in the London market might be able to operate accounts in a number of foreign currencies so that, as far as possible, this would overcome the possibility of losses solely due to currency fluctuations. That was a good idea, but an exhaustive examination into the subject showed that almost certainly the administrative problems would outweigh the advantages. Nevertheless, this is an idea which may be pursued, since if it could be operated, it would help to insulate underwriters from currency fluctuations after they have received premiums, but before claims are settled. It would not be easy to operate, since a feature of hull insurance is that premiums are often paid in dollars, with repair costs being met in other currencies.

There are many impracticables facing hull underwriters in the future. It has been reported that over 50 large LNG carriers are now on order with rates of relatively low levels as a result of intense competition. Some of these vessels will cost \$120m, or more, each. Rating such inflation has comparatively little impact on cargo insurance (sum insured taken into account will not be as high as claims and claims are settled quite promptly), many insurers have been trying to expand their cargo accounts, with lower premium costs as the main inducement to shippers.

Cautious

It appears as though underwriters are taking a cautious view about the reopening of the Suez Canal, with quite substantial additional premiums being payable for war risks. This is understandable, when one bears in mind the weight of premium needed to fund no more than one major loss. Cargo insurance has also been

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MARINE AND AVIATION INSURANCE II

Cover for North Sea rigs

SINCE the introduction of the first off-shore jack-up drilling barges for use in the deeper waters of the Gulf of Mexico in the mid-1950s, the London marine insurance market has played a leading role in providing insurance for off-shore exploration and production of gas and oil.

Experience with the early drilling barges proved that insurance rates were too low. Although the market had two bad years, when six units were lost—two of these losses being caused by hurricane Betsy—underwriters did not withdraw from the market. Their position improved when rates were increased, better designed rigs were introduced, and the oil companies started searching for oil in many other areas of the world.

The London market bought its experience in the early days, and now that the business is

ter of Shipping will be the conditions. (waves can reach 100 feet and winds can approach 120 mph), not only the world's premier classification society and has played an important part in the growth of off-shore activity in the North Sea and elsewhere since several years ago, it established an ocean engineering department.

Since being appointed a certifying authority, the Society, through its Offshore Services Group, has begun certifying more than 60 structures for the North Sea, and is also closely involved in plans for future installations. The Society is certifying about 75 per cent. of all North Sea structures.

London underwriters have experienced a significant increase in offshore business, but it is here that the offshore industry is still developing so far as technology is concerned. In view of the North Sea problems, in terms of weather and other

Sources

Even now, nearly 20 per cent. of the world's oil comes from offshore sources, and it is expected that this share may rise to about 30 per cent. by the end of the 1980s. Currently, production is taking place off 34 countries, exploration off 43, and surveying off 80.

In 1959 certain underwriters who were involved in providing insurance for the offshore industry set up the Rig Committee. While the Committee is still entirely unofficial, the members lead almost all the oil rig in-

surances, and thus are deeply involved in analysis of statistics, research, the drafting of wordings and devising new forms of insurance to satisfy particular needs.

After the poor experience mentioned above, premium rates for offshore drilling rigs were increased in 1966 from 4 or 5 per cent. up to 9.75 per cent. Gradually, over the years since there have been various reductions, and discounts have been available according to experience, and so on. Last year, rating differentials were introduced, with the highest rate applying for jack-up barges, the next for non-propelled semi-submersibles, and the lowest premium rate applying to fully self-propelled semi-submersibles. Worldwide experience of jack-up barges was far from encouraging last year, but there are very few rigs of this type operating in the North Sea, because of the depth of water.

In addition to providing cover for mobile drilling units, fixed production platforms, pipe-laying, etc., the market writes insurance for cost of control, clean-up and containment, and seepage and pollution. The cost of control insurance reimburses the assured for the costs of material, supplies, equipment and services necessary to bring a well under control should there be a blow-out. Premium rates are applied to the footage drilled and a percentage of the drilling rate is applied to producing and shut-in wells, etc.

Underwriters have been feeling their way, and gradually have been offering wider cover in connection with exploration for and production of North Sea oil and gas. In many cases, there has been little or no past experience to use as a guide, and there can be very large accumulations of risk in respect of individual locations.

The aircraft market

THERE HAS been a long period of very fierce competition for aviation hull business in the world insurance market. It all stemmed from an unusually good year in 1971, when losses were at a much lower level than had been expected. This brought considerable pressure from airlines for reduced premiums while, at the same time, the capacity of the aviation market expanded, as insurers saw the prospect of good profitability. Rates were cut sharply, and continued to be cut even when it was seen that the pattern of losses was returning to its former level.

As a result of the cut in rates, and the pattern of losses, the 1972 underwriting year was less profitable for many underwriters than 1971. When the 1973 account is closed at the end of this year, it may break even, or show a small loss. Certainly at this stage, it can be looked upon as being no better than "marginal." For 1974, many aviation underwriters expect to experience an underwriting loss across the board.

There is no doubt that the wide-bodied jets were much safer than underwriters had anticipated in their initial rating and, naturally, significant reduc-

Dropped

Premium rates for wide-bodied jets in many cases dropped by one-half, or two-thirds. Premium reductions also were granted for other aircraft, which did not have such good safety records. Competition was so keen that there was plenty of capacity to accommodate lower valued aircraft at rates which might well prove uneconomic.

Lately there has been a different feeling in the market—not only in London, but in other world markets. Underwriters appreciated that the stage had been reached when it was necessary to take a tougher line.

So far, it is the U.S. market which has received most attention, since it is that market, with its generally good safety record, which was able to secure the largest premium savings in various ways. It has been estimated that overall more than 50 per cent. of worldwide aviation premium income is generated in the U.S.

Since the beginning of this year, some quite significant increases have been made in the rates charged to U.S. airlines which brought losses. Competition over the past few years has been more severe for hull business than for liabilities, since the whole situation is more clear cut. With liability business, if an aircraft crashes to-day the claims payable under the liability policies may not be finally resolved and settled for several years.

Some years ago, when aviation insurance results were poor, a "support group" was evolved in

the market. This helped to stiffen the will of underwriters and their ability to apply better terms. At that time, the arrangement succeeded in increasing rates to realistic levels because the available capacity of the market was needed to complete most risks. Now, however, for most aviation business, there is ample capacity, and a revival of that form of market "discipline" would not have the desired effect.

Nevertheless, the position is changing. A number of insurers who entered the aviation market a few years ago have discovered that it has not been the profitable venture which they anticipated. Nor have they necessarily been able to make good underwriting losses from investment earnings on premiums. It looks, therefore, as though there may be a significant reduction in capacity, with the more aggressive newcomers of the past few years withdrawing with burnt fingers. There is no reason to suppose that the cycle will not continue in much the same way in the future. At present, with the 1974 and 1975 hull accounts likely to show a loss, higher rates over the next year or two can be expected, until profitability is restored.

Passenger liability

WHENEVER an aircraft on an international flight crashes with loss of life, one can be fairly sure that it will be a long time before the dependants of the passengers receive compensation. This is chiefly because of the legal complications and the fact that there are plenty of different variations regarding the limitation of liability of an airline which can apply to passengers travelling on the same aircraft, dependent on the ticketing arrangements for their particular journeys.

In the case of some passengers, there may be no limitation of liability. Others may be subject to the Warsaw Convention limits, whereas the Hague Protocol may apply to others. A figure for internal flights—within the country involved—may be relevant for some passengers, and the Montreal Agreement for others.

Most major airlines in the U.S. have cover of at least \$200m. to cover both third party risks and passenger liability. Currently, the maximum which is being written in the world insurance market is about \$250m., although quotations have been provided up to \$300m.

Even more significant is the fact that many airline operators in other parts of the world have increased their limits from no more than, say, \$50m., up to \$100m. or \$150m.

Specific

Changes are taking place, and it seems likely that airlines will agree to specific limits, irrespective of international conventions. As long ago as 1966, most of the major world airlines agreed to accept contractually a voluntary increase in liability to \$75,000 for passengers whose flights were from, to or touching the U.S. That was known as the Montreal Agreement. But, for internal carriage by air in the U.S., there is no limitation for liability once negligence has been established.

In Britain, British Airways and British Caledonian increased their limits of compensation to £25,000 per passenger. Within the next few years, most of the airlines in Western Europe may have taken somewhat similar action.

In different parts of the world limits of liability under international conventions are being ignored, with claimants pressing for higher compensation. The situation over the crash of the Turkish Airlines DC-10 has been very confused, with a large number of suits and counter-suits. Some underwriters feel that, if the claimants receive California-type awards, for all practical purposes, this could be the end of the Warsaw and Hague limits.

As airlines cut back flight schedules to save expenses, many aircraft are flying with greater passenger loads than otherwise would have been the case. There is, therefore, greater "exposure" for liability underwriters within the aircraft.

Premiums for liability insurances have not been cut in the same way as those for hull insurances, and some of the newcomers to aviation insurance have been wary about this class of insurance, in view of the long period which can elapse between a casualty and the settlement of the claim.

While to some extent airlines can limit their liability for the

death of passengers in a crash, the manufacturer of the aircraft, or of a component, cannot limit liability. Normally, the contract of sale prevents the airline (or the hull underwriters) from claiming against the manufacturer. But this does not prevent the dependants of those killed in a crash claiming from the manufacturer if it can be shown that the crash was due in any way to the negligence of the manufacturer.

Last year, because of the trend to claim against manufacturers, and the fact that the cause of a crash can be ascertained with much greater precision than in the past, aviation underwriters in the London market increased their premium rates for products liability insurances.

In view of the possible claims which could be made against them, most major aircraft manufacturers are anxious to buy virtually however much protection is available in the market. For aviation underwriters, of course, this represents an accumulation of risk since it is quite possible that, in addition, they will have a substantial interest in the hull of the aircraft and the third party liability insurance arranged for the airline owning the aircraft. As a guide, however, insurance cover up to about \$250m. is now available to manufacturers under products liability insurances. From the manufacturer's point of view, however, punitive damages could account for a higher figure than that.

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MPs press for barrier on coach crash road

SCOTTISH SECRETARY, Mr. William Ross, said in the Commons yesterday that a fatal accident inquiry was mandatory under Scottish law if an employee was killed in the course of his employment. This seemed to be the case in the coach crash in which ten people died at Moffat, Dumfriesshire, on Monday.

Mr. Ross said that the accident happened on the Glasgow-Carlisle road. Of the 44 coach occupants, ten, including the driver, were killed and 34 were injured. The lorry driver was also injured.

"The accident took place on a straight stretch of the A74 dual carriageway. There had been very heavy rain before the accident."

Both badly-damaged vehicles were now being examined by regional vehicle examiners of the Department of the Environment.

Calling for the road to be upgraded to motorway standard, Mr. Hector Monro (C Dumfries) suggested: "The erection of central barriers throughout the length of the A74 might have prevented this accident."

Mr. Ross said he had looked at the question of barriers fairly recently. "But I came to the conclusion the money it would cost—£1.5m.—would be better spent in improving safety at road junctions and verges."

"Naturally, in the light of this accident, I will look at it again."

Mr. Andrew Bowden (C Brighton Kemptown) said the people of Brighton had been "stunned and shocked" by the tragedy. He paid tribute not only to the rescue services but to the courage of the people in the accident.

Mr. William Mulloy (Lab. Ealing N) suggested there should be a review of technical safety features and of the sort of roads coaches were permitted to use.

Mr. Frank McElhone (Lab. Queens Park) said there had been 800 accidents along the road in four years. "While we are waiting for the upgrading of the road and the barrier in the centre, could we have some guarantee that extra police supervision will be put on the road, because it is a very dangerous road."

Mr. Ross said that the Department and the police were looking at the whole question of traffic management. No other accidents had taken place at the location of the coach accident and in 1971-73 only three single-vehicle accidents happened anywhere near it.

Wilson stands by manifesto policies

THE PRIME MINISTER should turn his "undivided attention" to inflation, Mr. Douglas Hurd (C Mid-Oxon) said in the Commons yesterday. He had asked Mr. Wilson what general Government policy was proposed following the outcome of the referendum.

Mr. Wilson replied that the Government would continue to pursue policy set out in two election manifestos last year.

Referring to reports that the Prime Minister was considering going beyond a highly inflationary pay award for railwaymen, Mr. Hurd asked: "If that is true—an award of more than 27 per cent—how can anyone take you seriously?"

Mr. Wilson replied that he had had a whole series of meetings with the TUC, the CBI, had chaired a meeting of the National Economic Development Council that morning and would have another meeting with the CBI that afternoon.

"We are seeking to reach agreement on the basis of consent, and not of confrontation. Any fool can get a settlement through confrontation, but agreement then would not last very long, as we have seen."

Mr. Donald Stewart (SNP, Western Isles) asked about the timetable for the Scottish devolution now that the referendum was past.

Mr. Wilson replied: "We are sticking to the White Paper. It is well known that, despite Press rumours—and I do not blame the Press—we are sticking to the timetable. There is no change in the timetable."

In earlier exchanges Mr. Wilson told Mr. George Gardiner (Conservative, Reigate) that the need to curb inflation was due to the fact that "we do not want to imperil the very considerable successes of the balance of payments so far achieved."

Continued inflation increases at the present rate would imperil future exports.

Mr. John Tomlinson (Labour, Meriden), asked about pre-Budget consultations with interested parties, and Mr. Wilson replied that this suggestion had been welcomed by both the TUC and the CBI.

"There was reference to it at the very important meeting of the National Economic Development Council this morning when we were discussing the very important role of the TUC and the CBI," he added.

Opposition leader, Mrs. Margaret Thatcher, said that during the General Election campaign the Healey figure for inflation was 8.4 per cent, and after eight months of Socialist Government, it was now 8.1 per cent.

"What action do you propose to take, if any, to raise the daily declining value of the £?" she demanded.

Mr. Wilson replied that this had been answered the previous day by Prices Secretary, Mrs. Shirley Williams.

Pressed by Tory shouts of "answer" Mr. Wilson said: "A very high proportion in the increase in wages over the last year, which I think you regard as uniquely important to this problem, was due to the thresholds introduced by your Government."

Liberal leader, Mr. Jeremy Thorpe, referred to the Chancellor's choice of dealing with wage increases by clawing back through taxation or by cutting down on social expenditure. The unfairness of this was that it hit people equally whether they had settled inside or outside the social contract.

Mr. Wilson agreed, and added that the Chancellor had had to get more in the Budget than he would otherwise have done. He would have preferred, on cost inflation grounds, to increase the level of economic activity in this country because of the increased unemployment.

Mr. Dell hopes for inflation fall

IN A WRITTEN reply in the Commons last night, Mr. Edmund Dell, the Paymaster General, stated that there were "good prospects" that in the second half of 1975 the underlying annual rate of inflation would fall to 12 to 16 per cent.

Mr. Dell also stated that the rate of inflation would be achieved as far as possible by natural wastage.

Mr. Brown also cautioned that as well as the troop reductions, there would be proportional cuts in the number of civilians employed by the Army.

Despite Tory questions, the Minister said he could not detail how much money would be saved by the proposals for the Army which had been outlined in the defence review. But he pointed out that the biggest cost of any Army was the cost of manpower.

At the end of the re-organisation, he said, Britain would have a more cost-effective and streamlined Army with fewer over-heads and a greater combat capability.

"We will have a modern Army geared to the requirements of the 1990s," said Mr. Brown.

After telling MPs of the "fine detail" now being sifted in the Defence Department, Mr. Brown said: "Ministers expected that redundancies would start in the Army towards the end of next year. It was hoped that reductions would be phased over a period of something like four years."

He assured MPs that every effort would be made to assist a

DEFENCE CHIEFS were still sifting "a mass of fine detail" in deciding exactly how the 15,000 cut in the Army's strength would be realised. Defence Under Secretary Mr. Bob Brown, said in the Commons yesterday.

Opening a debate on the Army, he warned that some redundancies would be "unavoidable" although it was hoped that the reduction—10 per cent of the total force—would be achieved as far as possible by natural wastage.

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MR. EDWARD TAYLOR
"Bowling to Left."

was also welcomed as "long overdue" by Mr. Jeremy Thorpe, the Liberal leader.

The Minister of State told his Tory critics: "We should be looking at what Britain requires today in a hard-headed fashion. Imperial illusions have nothing to do with British defence needs in 1975."

He said that the Navy would continue to operate in the Indian Ocean using commercial shipping facilities but expected to do so less frequently than in the past. The termination of the agreement would have no effect on our defence expenditure nor on our exports.

British naval vessels would still use Simonstown on a commercial basis and the other ports that could be used in the Indian Ocean included Karachi, Colombo, Mauritius, Mozambique and the Seychelles.

Mr. Rodgers told the House: "It is ridiculous for us to-day to pretend to be a peace force around the world. There is no reason to believe we shall be inhibited in what we need to do by giving up Simonstown."

Even if the Soviet Union did present a threat to peace we would not mitigate that threat by giving up Simonstown. There were no political advantages in terminating an agreement which no longer had military advantages for us.

The maintenance of an agreement with a regime which was regarded with abhorrence by many people had been regarded as a sign of support for South Africa. This did not help us in our dealings with other countries.

Mr. Frank A. Allam (Lab. Salford E.) asked him for an undertaking that all military co-operation with South Africa would now end. Mr. Rodgers told him that it would mean an end to military co-operation of the kind that Mr. Allam had in mind.

Mr. Phillip Whitehead (Lab. Derby N.) wanted to know if it meant an end to all bilateral defence agreements of any kind with South Africa. Mr. Rodgers replied: "It is the end of all bilateralism of the kind which has been associated with this agreement."

University art treasures safe, says Mulley

FINANCIAL TIMES REPORTER

PRESSURES ON the education role, she was asked to consider the re-introduction of the milk for children aged between eight and 11.

When she replied that future policy on school milk was still under consideration she was quickly reminded from the Opposition benches that she had been one of the fiercest critics of Margaret Thatcher, the Opposition leader, when, as Secretary for Education, she abolished the provision of free school milk for the eight to 11 age group in 1971.

Miss Lester, who said it would cost £8m. to make the re-introduction, stressed that she was not in a position to make any announcement, although she agreed with Mr. Stan Hauer (Lab. Haver) that it was desirable that milk should be freely available to children.

Mr. William van Strijland (C. Wokingham) recalled that engaged in the school milk controversy in 1971 and suggested that should the Government be unable to authorise the re-introduction she would feel compelled to resign.

Miss Lester replied: "You want me out of my job? A little while ago I would have said 'I am not in a position to resign'. I am not a party to any such suggestion."

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Greater combat capability in streamlined Army—Minister

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At the end of the re-organisation, he said, Britain would have a more cost-effective and streamlined Army with fewer over-heads and a greater combat capability.

Discrimination Bill change

THE GOVERNMENT is to amend the Fair Employment (Northern Ireland) Bill to protect people of religious belief or political opinion and establishes a Fair Employment Agency, to promote equality of opportunity and secure remedies against unlawful discrimination.

Baroness Bacon (Lab.) said that "strange as it might seem," there were people in Northern Ireland with no religious beliefs, and she hoped the Bill would be referred to the contribution being made by people who were independent and neutral "in the struggle between the Catholic and Protestant population."

Lord Donaldson said that the Bill had certain kinds of discrimination on the grounds of religious belief or political opinion and establishes a Fair Employment Agency, to promote equality of opportunity and secure remedies against unlawful discrimination.

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International accounting standards published

IMPORTANT AND in some cases controversial accounting principles have been set out in two likely to be similarly controversial exposure drafts published by the International Accounting Standards Committee.

The two drafts are the fourth and fifth produced by the committee, representing a wide spread of countries including the U.K., the U.S., Germany and France. If accepted, it is planned that they should become effective for technical reasons or changes in demand, and legal limits on the use of an asset.

The other draft gives details of the information which should be disclosed in financial statements. The overall philosophy is that "all information should be disclosed that is necessary to give the users of the financial statements a clear understanding of the statements."

This draft is regarded as the necessary support for the IASB's first international accounting standard, which laid down rules for the disclosure of accounting policies. The new draft, which in general follows the requirements laid down in the second Schedule of the U.K.'s Companies Act, 1967, is expected to fill important gaps in the disclosure of information needed for the interpretation of accounts.

Nuffield hospitals link with private scheme

PRIVATE PATIENTS Plan the proposed phasing out of second largest medical insurance company in the United Kingdom. Health Service is resulting in a link with the Nuffield Nursing Homes Trust, which operates the largest chain of private hospitals in the country. The aim is for PPP to provide substantial sums to assist the Trust in its nationwide expansion programme.

Banks have more money to lend

A CONTINUED steady rise in the money supply is suggested by the Bank of England's latest figures for the banking sector. With this proviso, it looks as though there are doubts about the validity of the month-to-month comparison this time.

The figures show that the total eligible liabilities of the banks rose from £32.5bn. in mid-April to £32.7bn. in mid-May. Publication of the figures has been delayed as a result of the new provisions on which statistics are being collected from the banks.

For the same reason, the figures for the lower money aggregates thought to give a more accurate impression of the state of the system, are regarded as minimum 12.5 per cent.

Banking figures

(as table 9 in Bank of England Quarterly Bulletin)

ELIGIBLE LIABILITIES, RESERVE ASSETS, RESERVE RATIOS AND SPECIAL DEPOSITS	1975	Change month
£m.	£m.	
1-Banks		
Eligible liabilities	32,689	+124
Reserve assets	2,569	+10
Reserve ratio (%)	7.8	+0.1
2-Other banks		
Eligible liabilities	1,293	+9
Reserve assets	485	+4
Reserve ratio (%)	37.5	+0.1
3-Other banks		
Eligible liabilities	1,293	+9
Reserve assets	485	+4
Reserve ratio (%)	37.5	+0.1

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The Executive's World

North Sea oil starts to flow to Britain, but it has already had a considerable impact on the Scottish economy.

Ben Line's super drillship

LATER this year a significant and expensive piece of ironmongery will slide from its building berth at the Carlsdyke yard of Scott Lithgow, the Lower Clyde shipbuilding company.

Contract No. 744, a £20m. drillship of advanced design, is not only the interesting product of international co-operation involving companies in New Orleans, Rotterdam, Edinburgh and Greenock; it also signifies something of the industrial renaissance that is struggling to take place in Scotland on the shoulders of North Sea oil.

The venture was initiated by Ben Line, the Edinburgh-based shipping company, most of whose trade is on Far Eastern routes. It is part of a deliberately planned diversification of the company's business, which has so far halved its fleet of conventional vessels as it has gone first into container-traffic and second into specialised chemical tankers.

The third area the company examined was oil. During 1972 it studied ventures involving the construction and operation of lifting-and-laying barges, rig supply service boats and coastal supply bases. It decided eventually on exploration drilling, having identified a lack of British contracting capacity which was subsequently, and critically, confirmed in the spring 1973 IMEG report to the Government on British offshore market opportunities.

Ben Line spent some time talking to major oil companies and quickly came to the conclusion that it could not undertake the project solo. Even the most frequently offered advice in those early days of North Sea oil—to "buy yourself an oil expert"—was treated with native caution. "We just did not know enough of the business to be sure that we would be buying the right experts," says Ben Line's joint managing director, Mr. Dick Thorman.

The decision to seek a partnership with a company established in the oil industry was therefore inevitable. But Ben Line was concerned from the outset that its involvement would not amount to "a sleeping partnership." It wanted its own marine and engineering skills fully deployed alongside the oil experience of any potential partner. So it set out first to describe its own ground-rules.

It did so by determining the market within which it would operate. It decided against using jack-up and semi-sub-

mersible exploration rigs, or conventional anchored drillships (the type of equipment chosen by the first British offshore drilling contractor, Edinburgh-based Christian Salvesen). Ben Line elected instead to invest in a sophisticated, dynamically-positioned, anchorless drillship, designed to explore for oil in sea depths of up to 3,000 feet.

The company liked the technical complexity of the equipment (the vessel is held on station by computer-controlled stern and bow propellers). It feels this will render indispensable the full stretch of its marine expertise. In addition, the vessel's mobility will give it a world-wide working beat, while the existence of only three other comparable vessels (SEDCO's "445" on charter to Shell; Nordic Offshore's "Havdrill" and Total's "Pelican") conveniently restricted the competition.

Gamble

The company has also been persuaded by oil industry judgment that the search for oil will shortly have to push into sea depths beyond the 500-600 feet to which extraction techniques are currently limited. This confidence is apparently confirmed by the fact that a charter for the vessel is expected to be announced well ahead of next summer's delivery date. On the other hand, Ben Line is gambling that new sub-sea oil well completion techniques will be commercially available soon—otherwise it runs the risk of confining the use of an expensive piece of exploration equipment to shallower waters infested with cheaper competing conventional rigs.

Having decided on its equipment, Ben Line sought a partner first among the oil companies and (when "this did not click") subsequently within the drilling contracting industry. The Schroder Capital Corporation of New York undertook two appraisals of potential partners, leaving Ben Line eventually with a list of four top-flight contractors. Talks with one of these—Ocean Drilling and Exploration Co. of New Orleans (ODECO)—proved successful. ODECO, which has been 21 years in the international drilling business, at that time operated a fleet of 20 rigs, mostly semi-submersibles (and with no drillships), though its subsequent acquisition of Stormdrill added a further 14 vessels.

Together the two companies

formed a 50-50 deadlock venture Ben-ODECO. In Ben Line's case the financial exposure has been reduced by the formation of Ben Line Offshore Contractors, in which a 47 per cent. minority stake is shared by North Sea Assets and the Royal Bank of Scotland. It is BLOC which holds 50 per cent. of Ben-ODECO. The American's jack-up rig "Ocean Tide" now operates off the Netherlands, was thrown in to give the new company immediate operating experience and some cash flow. Thorman is able to say "We're now into the oil business, on the mezzanine floor."

The partnership decided to place its first contract with Scott Lithgow—having precipitated a deal between the Lower Clyde builders and IHC the Dutch marine engineers who pioneered the dynamically-positioned drillship design and built both the "Pelican" and "Havdrill" vessels. Scott Lithgow now has a ten-year agreement with IHC as its British licensee for the design.

Ben Line seems to have wanted a British yard which would "put some beef behind the project" and whose nearness would make the monitoring of the complex project easier. It was also attracted by Scott Lithgow's experience of submarine and other naval fighting ship construction which made the builders no strangers to the electronic gadgetry which will be at the heart of the drillship.

The arrangement has also suited Scott Lithgow, which, when the cry was loudest for greater participation by Scottish industry in North Sea developments, took the policy decision to confine its involvement to the "ship shapes" it knew best.

With orders taken for oil-rig service and supply vessels, the shipbuilding group has built up an oil-related order book worth about £80m., which represents more than one-third of the company's total work. Indeed, it now forecasts that it is possible that during the next two or three years oil-related work may overtake conventional shipbuilding as its primary source of business.

The venture also gives Scott Lithgow a foothold in a new technology (dynamic positioning) which it imagines may have an application in the conventional merchant vessels it is used to building.

The contract, masterminded by Ben Line, is one of the more progressive examples of Scot-

tish industrial spin-off from oil—stimulated by the North Sea excitement though not, as it happens, directly aimed at that oil location. Ben Line reckons that all but 20-25 per cent. of the vessels will be manufactured in Britain, including some items (like the specialist heavy-compensators) provided by the Edinburgh engineers, Brown Brothers, which it had previously been assumed would be available only from American manufacturers long associated with the oil industry.

It seems characteristic of Ben Line's aggressive approach to the new project that it should be restless even about that foreign content. "It's 25 per cent. too much," says Thorman who believes British industry may already have missed one of two boats in the offshore market boom so much further.

Chris Baur



The hull of the oil drillship Ben Ocean Lancer begins to take shape at Scott Lithgow's yard. It will be launched in October-November.

The retailing revival in foods

ABERDEEN, the granite city which used to rely on agriculture and fishing for the vast majority of its income, is now an oil town. Round the city hundreds of acres of what used to be farmland have been turned over to trading estates where pipeline, drill bits, massive chains and anchors, and all the other thousands of bits and pieces which go to make up the oilman's paraphernalia are stacked in great profusion.

There is still a fish market at the harbour and the fishing boats are still there, but today they are overshadowed and almost outnumbered by the hardy rig supply boats.

These are the most visible signs of the revolution brought about by the cosmopolitan invasion of oil men, but the effects of the big exploration boom go much further.

Rental levels in Aberdeen are now as high as almost anywhere else in the country outside of London and a good deal higher than most. The general level of wages has risen very considerably faced with competition from the £70 plus a week which even the most junior rig men can achieve.

But while the oilmen import most of their direct requirements the provision of ancillary goods and services has fallen to the traders and industrial companies on the eastern seaboard. Those who have reacted quickly and efficiently to this challenge are enjoying unprecedented levels of business and in many cases profitability: the demands and schedules laid down by the oil companies are rigorous but in return they are prepared to pay well.

One company which has had more than its fair share of the oil-generated business is the privately owned JGB Group. Owned and run by the two sons of the founder the group is small enough to react entrepreneurially in any given situation, but big enough to finance the new developments it considers advantageous. In five years the shape of the group has changed almost completely: were he still alive James Grievy Barrack would not recognise the haulage company which he founded back in 1924, but he would hardly quarrel with the actions of his two sons which have built a turnover of £20m. a year—most of which is from oil-related activities.

When the oilmen came to Aberdeen in 1968, JGB was still a transport company operating a fleet of around 100 vehicles. Immediately the group got into the act by supplying trucks, cranes, and forklifts, and by 1970 brother Bill and Hamish decided that diversification was called for. Tentative steps were taken into the areas of food processing, retailing, and light engineering.

But the real break came in 1972 when Seaford Maritime, with plenty of cash and not enough transport, made a bid for the whole of JGB's transport operation. The brothers pondered—and decided that the undisclosed cash sum which Seaford offered was too good to refuse. With the cash they bought control of Burntisland Fabricators which manufactures modules for exploration platforms, and got into the property development business, buying land in the new trading estates, developing offices, warehouses and so forth, and leasing them to the oil companies.

Property to-day is the biggest single contributor to turnover at £8m. a year. Next comes food and engineering—each around £3m., while vehicle and plant hire makes up the other £2m. and the £20m total. However, the food side is the one earmarked for the greatest expansion and will shortly overtake property if everything goes according to plan.

The food side of the operation is also perhaps the most interesting. In 1971 JGB bought out a traditional wholesaler called Edwards which also did some of its own food processing and had a turnover of £300,000 a year. In just a short space of time this has been transformed to a £5m. sales figure and this from a poky, quite unsuitable, factory building in the centre of Aberdeen with just 11,000 or so square ft. on three floors and a lot of little nooks and crannies.

Now, however, the group has developed a new site just outside of Aberdeen, and close to where a new ring road is to be built. Here they have a 50,000 sq. ft. cash and carry warehouse, and by the end of the summer they will also have a 35,000 sq. ft. factory for the food processing part of the business.

Groceries

One of the most fascinating experiments which Edwards has tried was the setting up of an American Food Store. They bought a 1,000 sq. ft. grocery store standing isolated in the remnant of the costs of West Aberdeen residential finance, maintaining, and using an oil rig; but to the more mundane on-shore business the size of orders is way beyond normal expectation. Currently shipped from the U.S. by container, and as near as one can judge prices are nearly half as much again as the cost of an equivalent U.K. product range at a normal grocer.

In just two and a half years the turnover of that store has climbed to a fantastic £4,500 a week. Delivering as far south as Glasgow and Edinburgh and to the North as well Edwards reckons that it has a catchment area of 15,000 Americans, but that anyway the locals are beginning to catch on to the idea as well. Certainly the £4.50 per square foot that Edwards does from a tiny off-centre location grocery store is the sort of figure that multiple grocers are pleased to achieve from 20,000 sq. ft. supermarkets on prime sites.

At least two more American Food Stores are planned else-

where in Scotland, but the real cream of the Edwards food business is rig catering. It supplies 100 per cent. of the food and grocery requirements for nine of the 43 or so rigs currently operating in the North Sea, and services part of the requirements of a further six.

There is still more business available in this area, but lack of capacity will be a restraining factor until Edwards can get into its new premises. The beauty of the rig catering operation is that it is very big business for a traditional wholesaler, Edwards has just linked up with A and T International—a voluntary group—and without the rig business it would be a typical voluntary group wholesaler offering a large number of small retailers the bulk purchase facilities of head office on orders which are far from bulk as between individual retailer and wholesaler.

Edwards serves something like 500 independent grocery outlets, many of whom will not order more than a case of a given product at any one moment in time; most individual orders therefore are unlikely to amount to more than a few hundred pounds at best.

Matched against this one of company alone has regular orders—three times a month—for around £15,000 a time. The cost of food groceries and other sundries, such as bedding, can be kept through the eye of a needle combined with the costs of finance, maintaining, and using an oil rig; but to the more mundane on-shore business the size of orders is way beyond normal expectation. Currently shipped from the U.S. by container, and as near as one can judge prices are nearly half as much again as the cost of an equivalent U.K. product range at a normal grocer.

Undoubtedly the JGB story is representative in type if not in detail of many other business enterprises down the eastern seaboard.

The big question now—and the most unpopular one to put to almost anyone living in Aberdeen—is what happens when exploration is complete and the oil is flowing freely. When that does happen the rigs will be towed away to new endeavours elsewhere and large chunks of the new industrial Aberdeen are likely to be the same way as some Californian ghost towns. The Barracks are banking on the fact that this will not happen in their lifetime.

Sandy McLachlan

BUSINESS PROBLEMS

Grossing up dividends from abroad

I receive certain dividends from U.S. and Canadian mutual funds, taxed partly at source and partly after transfer to this country. What is the gross amount? I have for some time

been accustomed to gross up the net dividend at the basic rate of U.K. tax. Is this right?

Your practice of grossing up the net amounts of your American and Canadian dividends at the basic rate of U.K. tax will have produced substantial savings in the past years, although this is a rough-and-ready method which cannot be applied universally to foreign dividends. Strictly speaking, the figure which should be entered on your tax return is the amount on which the U.K. tax has been charged at the rate stated. If in doubt, you can arrive at the answer by dividing the amount of U.K. tax by the rate at which it was charged; this answer will generally be the amount of the declared dividend, before deduction of local taxes, but the position may be a little more complicated where collection charges have been incurred overseas, for example.

BY OUR LEGAL STAFF

(i) The allowable proportion would be reduced. It is simpler to arrange for any additional borrowing to be by way of a separately designated loan account.

(c) If the June and December, 1974 overdraft interest was not actually paid during 1974-75, but was merely added to the indebtedness, no tax relief in that respect is due for 1974-75. However, if the interest is paid in a later year (for example, by reducing the replacement loan), relief is due for the year of payment, subject to the restrictions which would have applied if the interest had been paid when it fell due.

(d) Yes, subject to the £35 restriction, etc.

VAT and furnished lettings income

I am a registered person for VAT. At the same time I have investment income from furnished lettings but this there are separate books, records and bank accounts. The Customs and Excise maintain this income as an exempt supply and therefore should be included in the Returns and VAT records. To my mind, the income from furnished lettings does not constitute "supplies of goods and services by way of business" (VAT book 700, page 19) because business is defined as "including (trade profession or vocation) (same page); and it seems to me that this definition cannot include this investment income in my case. In view of the fact that my business and investment income are quite separate does the case of Bertam and Co. v. The Commissioners have any relevance?

Your only effective means of contesting the Customs and Excise contention regarding the rent is by appealing to a VAT tribunal but before doing this you should consider the de-minimis rules set out in Notice No. 706 on partial exemption to see if these would provide relief.

The VAT tribunal decision in the case of Bertam and Co. was reversed when the Customs and Excise took the matter to the Divisional Court.

MP3/4
No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Bank interest relief

Where one has a bank overdraft at March 26, 1974 converted into a loan before April 5, 1975 what is the position in the following cases:

(a) The overdraft when converted is lower than at March 26, 1974. Do you therefore receive the full interest relief other than the first £35?

(b) The overdraft when converted is higher than at March 26, 1974. Do you receive interest relief on the proportion the overdraft bears at March 26, 1974 to the overdraft when converted and so on each year up to April 5, 1980 and deducting £35 from the figure so ascertained? What is the position if the loan is increased between conversion and April 5, 1980?

(c) What is the position when a higher figure is converted and includes the interest debited at June 30, 1974 and December 31, 1974?

(d) If the overdraft is converted into a loan on say December 31, 1974, is the interest from the Jan. 1, 1975 to April 5, 1975 (which is included in the interest debited to the loan account on June 30, 1975) taken into the tax year ended April 5, 1976 and allowed in full?

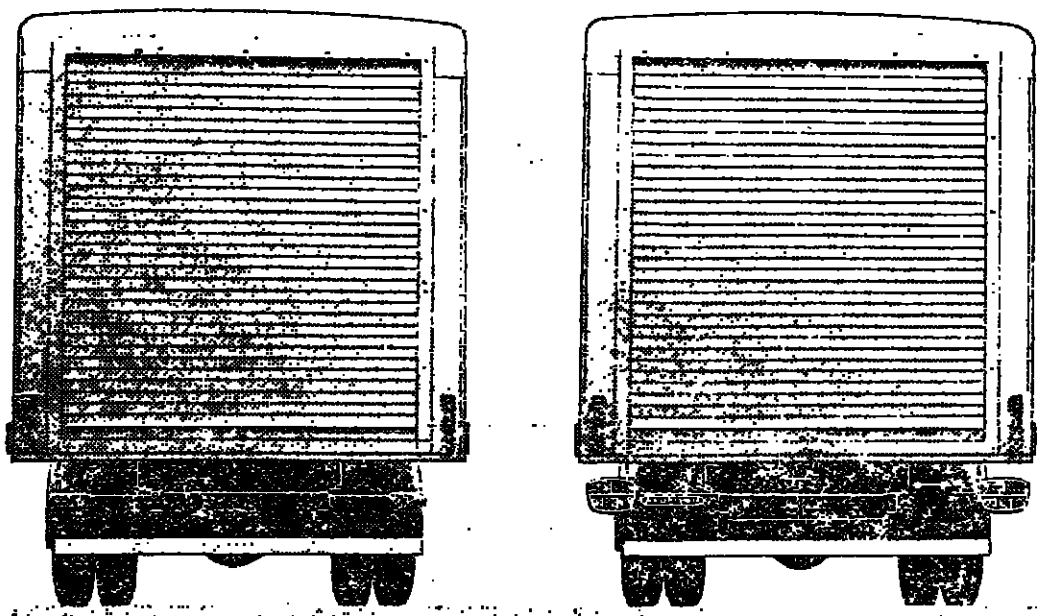
It is not possible to deal in detail with every situation implicit in your questions, but broadly the answers are as follows:

(a) Yes, up to April 5, 1980.

(b) (i) Yes, provided that interest is calculated at a single rate on the whole loan (as discussed in a formula such as x per cent. on the first £Y and z

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	214P	5-60	3-51
KC	220D	7-38	5-03
	214P	7-38	5-11
KDS	330D	7-38	4-78
	300P	7-38	4-86
KDL	330D	7-38	4-67
	300P	7-38	4-78
KDS	330D	8-50	5-86
	300P	8-50	5-95
KDL	330D	8-50	5-77
	300P	8-50	5-82
KE	330D	10-04	7-17
	300P	10-04	7-24

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WEDNESDAY, JUNE 13, 1975

Concentrating the mind

THE President of the Amalgamated Engineering Union, Mr. Hugh Scanlon, went out of his way on Monday to inform delegates attending the annual meeting of the union that he was strongly opposed to any rewriting or renegotiation of the social contract. This made it clear that he was hostile to the attempts that are at present being made within the TUC to sponsor a new form of contract and a new set of voluntary wage guidelines that will be more strictly observed than the original agreement. For this reason, Mr. Scanlon's attitude was widely interpreted as a setback for the Government in its efforts to bring wage-led inflation under better control.

But yesterday the delegates voted by a substantial majority to oppose any form of social contract with the Government, whether in its present or a more effective form. They have gone considerably further than Mr. Scanlon himself was prepared to go openly on Monday, and the result is that one of the country's largest unions is now committed to work against existing wage restraints, such as they are, and any alternative restraints that may be proposed, both inside the committee of the TUC and at the annual conference in September. Those who regarded Monday's speech as a setback for the Government may well consider that yesterday's vote is a disaster.

Engineers' vote

If it serves to drive home the fact that the Government is in danger of exchanging one suit of non-existent fine clothes for another, however, the engineers' vote may serve to strengthen Mr. Healey's will to face the need for meeting an urgent situation with effective measures rather than with vague resolutions of goodwill. The first variant of the social contract was ineffective because the aim was insufficiently ambitious and because actual achievement fell well short of the aim.

The aim which the Government has set for the next stage of its anti-inflation policy, a halving of the current rate of inflation over the next year, is again grossly inadequate, mainly because it has been largely influenced by a consideration of what the TUC might be

brought to accept. The only firm proposal made for a new set of wage guidelines has already created great controversy within the TUC, even before the engineers came down so firmly against it. Even if it had proved possible to reach formal agreement of some kind by next September, therefore, there would be little firm ground for hoping that the new guidelines would be much better observed—at least as far as voluntary restraint in wage claims is concerned—than those at present in force. It might, however, have taken several months more for the Government to admit the obvious and take more forceful action.

Preconditions

We are not necessarily opposed in principle to discussions between the Government and the TUC about voluntary means of keeping the growth of incomes under control, of the sort which took place in the National Economic Development Council yesterday, about matters of joint concern. Our principal reservation about the sort of discussions that are taking place at present is that they are still being represented as a means of making an early or effective contribution towards solving what is now an acutely urgent problem.

So far as social contracts or income policies are concerned, success is in any case conditional on the Government's readiness, first, to enforce the terms of the social contract in that area of the economy over which it has responsibility as employer or paymaster, and second, to ensure that its general management of the economy is calculated to encourage restraint. The Government's main task has only been outlined more clearly by the difficulties which are being encountered in cutting the social contract to fit circumstances. It is to bring public expenditure back under better control by creating, through cash ceilings on expenditure or some similar device, the conditions which are already helping to bring wage settlements in the private sector of the economy back towards a more realistic level.

Serious, but not hopeless

THE COMMUNISTS' success in the Italian regional elections surpassed even their own expectations. The Party's share of the vote advanced by 5.5 percentage points—from the previous elections in 1970 to 33.4 per cent., bringing them within two points of the Christian Democrats, previously the indispensable party in any national Government. If the results were repeated at the national level, there would be the chance of a left wing, Communist-dominated majority Government for the first time.

Portugal

Such an outcome is naturally a cause for concern for Italy's friends and allies, the more so as the whole of Southern Europe from Portugal to Turkey is now in a state of political instability. It is a cause for concern, but does not necessarily mean that Italy has to be written off as an unreliable partner. In the first place, the results were a success for the Communists, but not a total defeat for Christian Democracy. The gap between these two major groupings was further closed, but the main losers were the smaller parties. The Christian Democrats and their current partners could still produce a comfortable majority if they chose to do so. In the second place, these were regional and not national elections. National elections are not due until 1977 and are rarely held prematurely.

That said, it is clear that the Christian Democrats have a great deal to think about. The Party's tactics have now twice seriously misfired in little more than a year: first in the referendum on divorce which showed a majority of the electorate in favour of liberal reform, and now in their stress on law and order and the example of Portugal.

The lack of impact of events in Portugal is the more surprising. After all, here was an

other Southern European country where the Communist Party had won scarcely 10 per cent. of the vote only two months ago, yet along with the military has proceeded to attack Democracy itself.

Of course, the Italian situation is different. There is no Left wing military eager to seize power. The Italian Communist Party is one of the least Moscow-orientated. It has made its way through the ballot box as well as the shop floor. It has made a respectable contribution to Italian life through its work on the standing committees in Parliament as well as in the regions it controls. It says it is in favour of remaining in NATO, if only not to upset the European balance of power. In this its attitude is not much different from that of members of some NATO governments (for example, the Dutch Labour Party) who tend to oppose anything that would strengthen the alliance, or indeed from that of the Italian Socialists.

Unknown

How much of this is purely tactical is the great unknown question. It is plain, however, that the old Christian Democrat approach of attacking the Communists simply because of their foreign policy is no longer adequate. Those who do not remember the cold war and are oblivious of military power simply do not heed it. This is a problem not confined to Italy; it runs in varying degrees throughout the alliance. It may be partially countered by a wider dissemination of the facts about the Soviet arms build up, but in Italy the Christian Democrats have been put so clearly on trial, they will have to show that they can provide better government than anything promised by the Communists. It will be difficult, but not impossible.

The social contract comes up for renegotiation

By JOHN ELLIOTT, Labour Editor

WHEN the TUC meets the CBI to-night and later the Chancellor of the Exchequer to discuss the future of the social contract it will be embarking on what was planned as the most far reaching initiative ever mounted by the trade unions. But from the start it is bedevilled by the Engineers' national conference decision yesterday, opposing any tightening of the TUC's wage guidelines and also—in effect—instructing the union and its president, Mr. Hugh Scanlon, to vote against the social contract at every opportunity including meetings of the TUC economic committee, general council and annual Congress.

The AUEW's decision is significant for four main reasons. First it undermines the TUC's authority in the talks now starting. Secondly it could well encourage the Transport Workers' and Miners' conferences next month to resist the contract, and thirdly it ensures a major split at the annual Congress.

Fourthly, it makes successful implementation of any policy extremely difficult because the AUEW has members in almost every industry. As one senior union leader said to me last night: "This is a very severe blow but it won't stop us going ahead. But if a union like the AUEW says it is not prepared to play, it makes it very difficult for the rest of us, if not impossible, to mount a uniform operation."

However, both TUC and CBI leaders believe that there is a strong mood among their members round the country who, at last, realising the threats of inflation, are ready to go for some new initiative. Despite the Engineers' unexpected decision, the TUC will therefore press ahead with the talks whose shape and outcome depend not only on Mr. Scanlon's tactics but also on how much of an understanding the CBI and TUC reach to-night. How the railways dispute develops is also crucial because of the impact a national railway strike, with sympathy action by other workers, would have on relationships within the Labour movement.

Influential leader

The TUC's target in its talks is to break the inflationary spiral and to help the country's economy get through the coming year in such a way that it can take advantage of an improvement when it comes. The TUC's motivation is a wish to protect union members' jobs and living standards and to maintain a Labour Government in office.

The prime mover among the unions is Mr. Jack Jones of the

Transport Workers—now by far the most influential TUC leader in the country—backed by men like Mr. David Basnett of the General and Municipal Workers' and by TUC headquarters. The TUC has suggested that one way to achieve their target might be for unions to agree to peg wage rises below the current rate of price increases, and to accept rises in the form of flat rate cash increases rather than percentages.

The Engineers' opposition underlines the size of the task which the unions are attempting. By considering asking workers to accept wage rises below the rate of price increases, they are laying themselves open to Mr. Scanlon's accusation that they are cutting living standards. For years the trade union philosophy has been to improve gradually year by year their members' standards of living by more than offsetting price rises in their wage deals.

Last year the TUC broke this tradition when it persuaded its unions to accept, at least in theory, that the country's economic problems meant that they should only maintain and not improve living standards. Now it is considering a policy which has the same end target but which superficially looks like reducing living standards.

Public sector

Although it is far from clear what will develop from the talks, the broad idea is that the Government and the TUC, with the CBI involved in concurrent but separate talks, will agree on a price target for the end of this year, or early next year—say 15 or 20 per cent. This would then be adopted by the TUC—which would launch its own figure if it could not agree with Ministers—as its wage target for next winter's wage round. It would possibly be turned into a flat rate by relating the percentage to average earnings of £55 to £60 a week, so producing a flat rate figure between £8 and £12 a week which is certainly higher than the CBI and probably the Government would like.

The Government would be expected to make sure that this figure was not exceeded in the public sector, with the TUC putting what pressure it could on individual unions, and taking advantage of the fact that a single cash figure would be much easier to sell and police than a more complex percentage formula. The hope would be that dissenting unions would go to arbitration and accept its findings. However, considerable opposition to the flat rate idea is expected at next Wednesday's TUC general council meeting from unions representing higher paid workers who would object



Mr. Sidney Weighell, NUR general secretary, at Downing Street: the threatened railway strike is one crucial issue in the social contract discussions.

to their traditional percentage which had to be taken into account when working out what workers were due for, also compared with the attempts to operate the guidelines.

Both Mr. Jones and Mr. Basnett are extremely conscious of this because it is members of their unions, and not the miners, electricity workers or railwaymen, who have been primarily responsible for making the wage guidelines so inflationary—a point Mr. Scanlon made on Monday when he attacked moderate "voices" whose members had broken the guidelines over the past year. The initial problem with the guidelines was not only that the aim of maintaining living standards guaranteed rises of 20 per cent. or more from the beginning of last winter's wage round but that the addition of the TUC's £30 minimum wage target boosted the total as did moves towards equal pay for women and other

based differentials being eroded, account when working out what workers were due for, also compared with the attempts to operate the guidelines.

Sheldon." The singular Mr. Sheldon's final act as Minister of State was to cause, as Malcolm Rifkind, MP for Pentlands, Edinburgh, put it, all sports wearers to "sigh with relief" since he finally agreed that fur does not constitute luxury in sports and thus exempted them from 25 per cent. VAT rate. Now he moves on to higher things, coming closer to the sharp end of public expenditure decisions, being the first product of the Public Expenditure Committee to rise this far. So we will see how his training in baiting officials in committee goes when it comes to cutting the public sector deficit by Treasury decision.

But the real news may lie with the man moving into Sheldon's old post, Denis Davies. Apart from leaving the Welsh backbenches even emptier, he is the first MP to jump to Minister of State rank, by-passing the parliamentary under-secretary stage since March 1974. Meanwhile Davies, 33, brings a rather Wilsonian background to the Treasury, being a blacksmith's son who took a First in Law at Oxford. He taught in the U.S. (he has an American wife) and Leeds before becoming a tax barrister and, since elected in 1970 has made his name in Budget debates, Finance Bill committees and the like. His is a promotion on merit. Thought of as being in the centre of the party, Davies was anti-Common Market, is a supporter of import controls and perhaps showed courage, as Llanelli's MP, by firmly opposing the Lions tour of South Africa last year.

Ouch. Seen on the back of a Securitor van: Alsatian Guard Dogs. No Hand Signals. Observer

Treasury's recruit With Dr. John Gilbert's transfer to Transport, Robert Sheldon moves up a notch at the Treasury and the old team of Sheldon and Joel Barnett will be seen in close parliamentary harmony again. In Opposition the pair had acted with such team spirit as to become indistinguishable to some, one newspaper once reporting a powerful speech by a "Mr. Barnett

extra. At the start groups such as the local government and hospital workers reached 30 per cent, including threshold payments, they had already received, in line with the guidelines. But then others, such as the gas and water workers, exploited the guidelines to reach similar totals outside the spirit of the social contract, paying the way for the miners and electricity workers to achieve similarly high rises without even a sideways glance at the guidelines.

policy emerges is from the Public Employees, who tend to set the tone for the rest of the wage round with negotiations for local council and hospital manual workers. Their annual conference has called for a £40 basic rate for a 35-hour week with a fourth week's holiday plus thresholds to compensate for future inflation. Taking the £30 minimum alone—a claim which Mr. Basnett's union rejected on his advice by a narrow majority—would mean a 331 per cent increase on basic rates and would clearly break any percentage-based TUC policy from the rest of the wage round. However, converted into cash rates, the conference demand becomes a claim for a flat £10 payment for all the council and hospital workers, and this is in line with the figure at present most likely to emerge if the TUC adopts a flat rate policy.

This underlines another advantage of a cash flat rate system, because the TUC will have to consider by its September Congress by how much it raise its present £30 weekly minimum pay target—the figure which helped to boost social contract settlements last winter. To keep pace with inflation this would have to be raised by some 25 per cent. or more to £37.50, which would set off another inflationary spiral. A flat rate of £10 would dispose of this problem.

It is this sort of debate which will take up a lot of time at the various meetings now starting and the object of most union leaders will be to play down as much as possible the impact of the Engineers' and Mr. Scanlon's decisions while making use of what they believe is a real willingness on the part of their members to be led into a tougher wages policy.

How these problems are resolved will clearly have an impact on next winter's wage round as well as on the decisions taken by the unions' annual conferences for the rest of this summer. So far there has been little pressure from public sector groups such as miners, hospital workers and others for mid-term pay deals or for threshold style rises to compensate for price increases since their annual deals last winter. But this may change now that the postmen, who are the only major national public sector group to have threshold arrangements, will receive £2 extra in next week's pay packets as a result of last Friday's retail price index figures.

Public sector employers in other industries have been resisting demands for extra payments such as these on the grounds that last winter's total rises of around 30 per cent. or more have yet to be worked out. Their hope is that they will continue to be able successfully to argue this. But any groundswell from the miners and others for extra rises immediately would end the tradition that rises are paid only once a year, and effectively kill off any idea of a new TUC flat rate initiative.

So far, however, there is little indication as to the sort of rises unions will be demanding next winter, although the miners' annual conference next month will be debating a call for the present main rate of £61 to be raised to £100. Up till now the only "positive" demand which could "undermine" whatever

So far, the TUC has carefully avoided stating its proposed wage guidelines in wages terms and has talked only about price targets of between 12 and 20 per cent.—with a 15 to 20 per cent. range the most likely—well above the 10 to 12 per cent. by the end of this year talked of by the CBI. But wage figures will start to emerge at next Wednesday's TUC general council meeting. So will a decision on whether the TUC wants to go for flat rate or percentage increases or a mixture of the two on a "£x plus y%" formula. What will also be seen is whether most union leaders follow the lead of men like Mr. Jones, or whether they would rather sit back like the Engineers and leave the problem to the Government, while continuing to press for measures to curb unemployment, or price rises and boost manufacturing investment.

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Left turn toward a ballot box revolution

AFTER AN era of electoral immobility Italy has taken an unmistakable left turn whose extent has surprised almost everybody. It has placed the country squarely in that groundswell of political change which has swept through the Mediterranean area in the last 18 months. The shift of votes in the regional and local elections has been so massive by Italian standards as to constitute a revolution through the ballot box of enormous political significance.

It has given the Italian Communist Party (the DCI) over 2.5m. more votes than it gained in the last regional elections and diminished the gap between it and the ruling Christian Democrat Party from 10 per cent. to under 2 per cent. It has also made the Communist Party the largest single party in nearly all the major Italian cities, including the capital, Rome. It has raised the combined electoral weight of the left wing parties, including the Socialist Party (PSI) which rose from 10.4 to 12 per cent. and the small extreme left wing groups, to around 47 per cent. from 41 per cent. in the last regional elections in 1970. If this pattern were repeated at a future general election, Italy would be presented for the first time since the war with a potential alternative to the Christian Democrat dominated coalition which has ruled since 1947.

Prospects

But why has this situation suddenly emerged? What sort of creature is the Italian Communist Party and what are the immediate and long term prospects which have now opened up?

In the first place, these elec-

tions have seen more than 2.3m. over 18s eligible to vote for the first time, while 4m. new voters have come onto the electoral rolls since the last regional elections five years ago. A new generation of largely urbanised and better educated young people has erupted onto the political scene en bloc. They have no memories of fascism or the cold war—two factors which have strongly influenced post-war electoral behaviour up to now.

Secondly, this new generation of voters has coincided with a growing groundswell of public discontent with the failure of successive Christian Democrat dominated Centre-Left coalition governments to implement a whole series of basic reforms in the housing, public health, transport, educational, economic and other fields. These governments have proved increasingly incapable of maintaining even elementary services such as public order or even an efficient postal service. The resulting lack of basic infrastructure has not only increased popular discontent, but it also held responsible for many of Italy's economic problems such as inflation and high unemployment. These have played their part in the elections too.

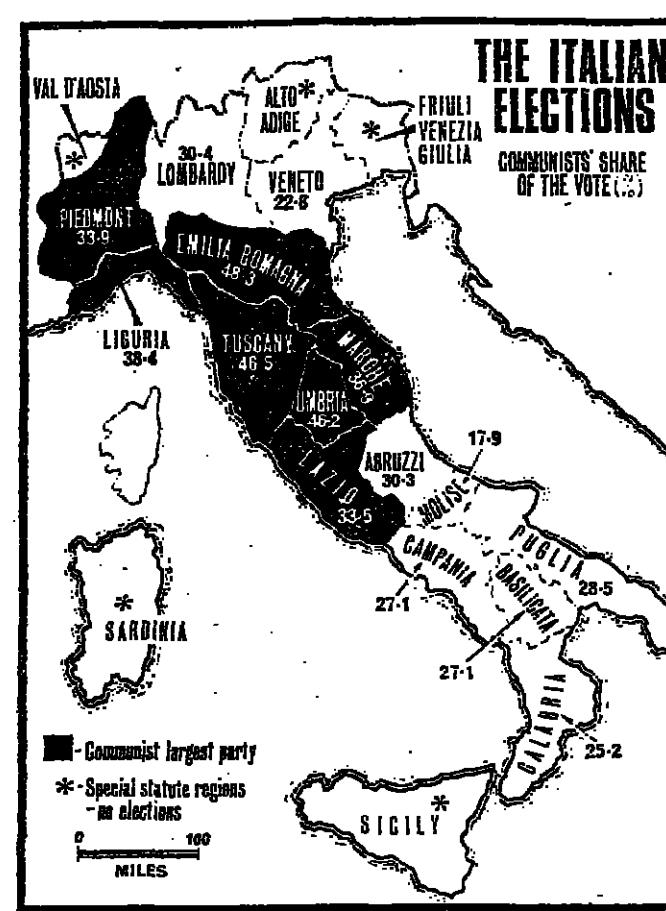
In addition, the CD controlled radio and television has been increasingly outflanked by the emergence of a new kind of investigative journalism which has played a major role in uncovering an almost limitless series of scandals and corruption cases involving the waste and illegal appropriation of public money by public officials aided and abetted by official political class. Significantly, one of the PCI's most telling electoral slogans has been "We have clean hands", just that, with no other word added.

This shows something about the nature of the PCI. The poli-



Sig. Amintore Fanfani, the Christian Democrat leader: he has seen two massive defeats which could well mean the end of his political career.

tical changes which have taken place in Portugal, in particular, over the last 18 months, and which are probably brewing in Spain as well, have demonstrated that Southern Europe, thanks to its long Catholic tradition and other cultural, social and historical characteristics, tends to express essentially social democratic ideas, not though formally Socialist Democratic parties in Northern Europe, but through the more Marxist-oriented Socialist and Communist parties. This does not make them Soviet-type



parties, except perhaps in the particular case of the Portuguese Communist Party led by the Moscow trained Alvaro Cunhal, but Mediterranean-type Communist or Socialist Parties. The Italian Communist Party is probably the supreme example of this kind of Communist sui generis.

For a start, its principal ideological is the Sardinian intellectual Antonio Gramsci, who wrote the greater part of his theoretical works during the 15 years of internment by the Mussolini regime which eventu-

ally cost him his life. Gramsci devoted his life in prison to examining the revolutionary writing of Marx, Lenin and the other Communist theoreticians in the light of Italy's own historical, cultural and social conditions. In many ways the result of his writing was to anticipate by 30 years the famous slogan of the May 1968 student uprising in France: "L'imagination au pouvoir".

He laid down the general line which has been followed by the PCI ever since, first by Palmiro Togliatti, who returned from the

exile in Moscow shortly after the Allied landings in 1943, and then by his successors, Luigi Longo, and the present Party Secretary, Enrico Berlinguer. It is a line which excludes the violent revolutionary path to Communism, a very real possibility in 1945 with thousands of armed and Communist led partisans in the field, and insists instead on the "long march" to power through and with respect for democratic institutions.

It is a policy which demanded the patient creation of a disciplined, organised and highly prepared Party, embracing not only the original intellectual core and working class base but a growing number of middle-class professional, technical and managerial people too. Its experience of regional government in the three "red regions" of Emilia Romagna, Tuscany and Umbria, that is to say areas in which there exists a vast network of small and medium private and artisan enterprise, has also led the party to rethink the classic Marxist attitudes towards private enterprise.

The Party's economic policy specifically acknowledges the creative value of private enterprise, rejects the idea of further nationalisation and insists instead that overall economic and credit policy guidelines be worked out in the context of an effective national planning body in which representatives of industry, finance, commerce and the trade unions are represented alongside those in political power.

The fact that some 10.15m. Italians voted Communist demonstrates quite convincingly that the Communist Party has become the sort of inter-class party that such a strategy implies. The Communist Party believes that it has at these elections picked up not only the bulk of the young vote but also a significant part of the protest

vote, which went massively to the neo-Fascist Movimento Sociale in the general elections of 1972, and a considerable slice local. It was not a general election, the direct result will be to add Liguria to the number of regions where a Communist-Socialist alliance is possible and lead to the election of several thousand more Communist and Socialist councillors and mayors in major cities throughout the country. Secondly, there will be an enormous effect on the overall political situation. It is too early to say just what changes will come, bearing in mind that this is a totally unprecedented situation for Italy. The results will take time to digest, and in the meantime it seems unlikely that there will be any hurry to cause the fall of the present CD-Republican coalition before the autumn, if Sir Moro can be persuaded to soldier on.

This factor underlines the grave weakness of the Christian Democrats. It is not fully revealed by the election result, which shows only a 2.8 per cent. fall in their share of the vote from 37.9 per cent. to 35.3 per cent. For the CD Party has suffered a massive haemorrhage on the left which it has been able to stem only partially by picking up votes from its right wing electoral allies, the Social Democrats and the Liberals. In effect Sir Fanfani, the CD Party secretary, has fundamentally changed the Party as conceived by its great post-war leader Sir Alcide De Gasperi. He saw it as "a party of the centre which is moving to the left" and thought that it should surround itself with a number of allies in the shape of the various Liberal, Social Democrat and Republican parties (and with the later addition of the Socialist Party) with which to form solid but CD-dominated coalitions.

At these elections, however, even the Italian bishops refused formally to endorse the CD Party which, again under Sir Fanfani, had engaged last May in that ruinous campaign to abolish divorce, a campaign which dramatically revealed the way in which the Party had lost touch with the country. The sum of these two massive defeats could well be the end of Sir Fanfani's political career, and there is likely to be bitter recriminations and recriminations within his highly factional party.

What are the political prospects now, given a weakened Christian Democrat Party and the longer run the parties will have to re-evaluate the prospects for a "historic compromise" which would insert the Communists into power formally at a national level, or the possibility of some form of popular front. But it is most unlikely that either of these radical changes in the Italian political scene could take place without recourse to a general election possibly well before the present Parliamentary term expires in mid-1977.

Polemics

Numerically the four-party centre left coalition formula is still possible, but politically the bitter polemics between the CD Party and the Socialists in this election will inevitably make such a government extremely difficult to form and function. In any case the Communist Party would demand, and get, a much greater say in its programmes and policies.

In the longer run the parties will have to re-evaluate the prospects for a "historic compromise" which would insert the Communists into power formally at a national level, or the possibility of some form of popular front. But it is most unlikely that either of these radical changes in the Italian political scene could take place without recourse to a general election possibly well before the present Parliamentary term expires in mid-1977.

Letters to the Editor

Providing finance

From The Chairman, British Insurance Association.

Sir—I read with some surprise your report (June 10) of the attack made by Sir Charles Hardie on the City over its failure to provide what he describes as "loan finance and other means of arranging long-term permanent finance for medium sized companies."

The appearance of Sir Charles Hardie's comments in full in Accountancy were delayed by an industrial dispute. This reference to industrial disputes makes me wonder if Sir Charles Hardie makes any allowance for the effect disputes have in creating a climate of uncertainty—one in which companies doubt if they can secure a return on projects and where also investors are discouraged.

Taking a long view the City and its financial institutions have stood the test of time: its mechanisms are sound but have not previously had to cope with a situation where long-term finance has to be provided with an inflation rate of 25 per cent. or more per annum. Notice has also been taken of the amount of money raised relatively recently by the Government in the gilt market.

"Investors Chronicle" survey highlighted this aspect of Government financing. It also referred to the role of financial institutions and I believe that before voicing his criticisms Sir Charles should have given some thought to the National Enterprise Board, planning agreements and a penal taxation policy all of which inhibit industrialists from contemplating longer term projects. The argument should be conducted on a personal basis—but I find it difficult to balance Sir Charles' criticisms of non-executive directors of financial organisations with his own willingness to serve as a director of banks, an investment trust, a merchant bank and a property company.

Let us assume that Sir Charles was trying to create a debate which would find some solutions for our present problems. The need for Government to encourage a climate that generates the creation of wealth and it is the production of profits which enables industry to grow. Profits provide not only dividends and a fair reward for risk capital but finance, through retentions, the investment in equipment so essential for continued growth and health and the financing of stock replacements which in an inflationary period are a costly burden.

Any future attempts by Government to control prices and incomes must include an appreciation of the need for and purposes of "profit".

A. Macdonald, British Insurance Association, P.O. Box No. 638, Aldermay House, Queen Street, E.C.4.

New cost of living index

From Mr. G. Thompson.

Sir—It has generally been appreciated that the earnings figure that should be indexed to compensate for the increase in the cost of living is pre-income tax earnings. The social contract certainly recognises this and I believe that the position, as readily if reluctantly accepted by the majority of working people, allows the Chancellor

for some control over actual earnings by controlling income tax. The same is not true of the other major regulatory taxes and in particular it is not true either of VAT or the various excise duties such as fuel tax and duties on alcohol and tobacco. Under an indexed wage system, any increase in these taxes such as those introduced in April produce a corresponding increase in earnings the following month.

A significant proportion of the labour force now has some form of threshold or index-linked wage system, and perhaps more important, almost the entire working population of the country expects its wage increase to be based on, at the very minimum, the increase in the cost-of-living index, an index which includes these regulatory taxes.

If we ignore the time lag between the increase in the tax and the compensatory increase in earnings, then we see that these taxes are in fact no longer effective as economic regulators. The Government is trying to discourage threshold and wage indexing systems, but I fear it is too late. The desire for compensation for increases in the cost of living is now too well formulated. I believe also that the Government is wrong to do this as the uncertainties caused by avoiding such systems in periods of high inflation cause much greater problems than is sometimes thought. It seems a pity to lose the benefits of a system which is now becoming popular, and a small change in the calculation of the cost-of-living index would overcome this fundamental difficulty.

I suggest that the Department of Employment should publish a cost-of-living index calculated specifically before taking into account the effects of all the major regulatory taxes such as VAT and the excise duties mentioned above. Such an index would form an entirely suitable base for a continuous reappraisal of earnings levels giving the wage-earner protection against inflation but leaving the Government with the power to withdraw money from the economy (and, of course, from the wage-earner's pocket) should it feel it necessary to do so. Were such an index introduced and Government backing given to the use of this index as a basis for wage and salary adjustments, then I believe that we would not only avoid some of the very large wage claims which are being put forward currently based on expectations, or rather fears, of high inflation during the coming 12 months, but would also allow the Government much greater control over the economy than in practice it has at present.

Graham Thompson, 155 Pennsylvania Road, Exeter, Devon.

Incentive to save energy

From The Chairman, Marks and Spencer.

Sir—John Trafford's article "Let's try energy saving" in Monday's edition was most timely.

We have co-operated in publicising the efforts of Marks and Spencer to encourage a national sense of urgency and to provide information helpful to the public. We have saved well over £500,000 in energy costs in 1974/75 reducing consumption by some 15 per cent. A continued drive, and the use of more efficient equipment, will raise the saving to over £800,000 this year on the costs we would otherwise have incurred.

This makes good commercial sense as well as a contribution to the national effort to conserve by the majority of working people. This allows the Chancellor

January 10, 1975. We anticipate further energy savings as a result of improvements in refrigeration, experiments in heat recovery and improved insulation both in new and existing buildings.

As well as involving architects, consultants and contractors, we are co-operating with leading companies such as Pilkington, Philips and Thorn to ensure that we incorporate both proven and experimental energy savings in our new buildings.

We continue to involve all members of our staff in suggestions for energy conservation and this has produced many useful ideas. Architects, builders and engineers should include in their buildings all those steps that will reduce the country's energy bill. This will require more capital investment. The question is aptly put in the article—what financial incentives is the Government prepared to give to encourage companies to invest in this very important area?

Energy will not be conserved if people are not encouraged to take the matter seriously; they need constantly reminding. Little will be achieved without the drive and determination of Government and top management alike.

Sir Marcus Steff, Michael House, Baker Street, W.1.

Not perfectly efficient

From Mr. Joel Stern.

Sir—The basis for Mr. P. A. Kerbel's disagreement (May 27) with my May 16 column ("Why Convertibles are Expensive") is that the Johannesburg stock market does not closely resemble the market efficiency that has been found on the New York, London and other markets, is not well founded. He may be correct that his country's investors behave differently, pricing shares on the basis of factors other than free cash flow and risk-reward discount rates—costs of capital. But to present a possible example of inefficient pricing and then to generalise from this anecdotal feature of the Johannesburg stock market is non-trivial fantasy.

All efficient stock markets are not perfectly efficient. No doubt there have been many examples on all efficient markets over the years that have violated, or appeared to violate, the price theory that market prices reflect underlying economic values. Clearly the important questions however, are to what extent, and how frequent, actual inefficiencies occur, and do profits generated from these inefficiencies exceed trading and other analytical costs? To avoid erroneous conclusions, financial economists trained in econometric testing procedures have studied the behaviour of large unbalanced samples of share price changes over long periods of time and drawn conclusions in almost every case that are precisely the opposite of Mr. Kerbel's.

Attributing these studies and the efficient markets framework to the University of Chicago's Economics and Business School faculty may be conveniently pedagogical, but it is also erroneous. Path-breaking developments have originated as well from the Universities of Rochester (George Benson, John Long, Ross Watts), Stanford (William Sharpe, Robert Litzenberger, William Beaver), California at Los Angeles (David Mayers), Harvard (John Lintner), MIT (Robert Merton) and London Business School (Richard Braley), to name just a few. To detect the extent of "free

lunches" in Johannesburg, I suggest that Mr. Kerbel investigate the performance of professional money managers in South Africa—unit trust and pension funds. In particular, he will discover that claims of free lunches command higher prices and more Press coverage than the lunches themselves.

Joel M. Stern, Vice President, The Chase Manhattan Bank, 1 Chase Manhattan Plaza, New York, N.Y. 10015.

How high is a ceiling?

From The Managing Director, Investment and Financial Analysts.

Sir—Your Labour Editor (June 10) quoted the remarks made by Mr. Alan Fisher of the National Union of Public Employees, as well as those of Mr. Len Murray. It appears that these two gentlemen still live in cloud cuckoo land.

Do they really think that a ceiling for salaries of £20,000 a year, that is £10,000 after tax, is going to do anything to right the current malaise in this country? Now that we are finally in the EEC it is that much easier to move to any other country within the Community if one does not receive the type of reward which goes with long hours, high risk and high responsibility of the majority of well-paid directors in this country.

Was it only a coincidence that in your section "Executives' Day" the same day you highlighted the over-manning and under-production of Britain's State industries?

Is it too much to hope that people such as Mr. Fisher and Mr. Murray, and other leaders in the trade union movement or on the left of the Labour Party, will apply their energies to resolving the appalling inefficiency in Britain's nationalised industries before going out to loot from other companies in the private sector, thus exacerbating the problems which your article highlights only too clearly.

P. H. Heath-Saunders, Investment and Financial Analysts, 36, Brackley, Queens Road, Weybridge Surrey.

No blank covers

From Mr. P. Fox.

Sir—I would have thought that specialist stamp issues would be splendid source of revenue to the Post Office as so many are bought by collectors without the P.O. having to incur any delivery expenses.

Unfortunately, at least in south-east England, the P.O. is obviously concerned neither with marketing nor with stamp collectors. Not only were blank first day covers sold out in Folkestone a week before the issue on June 11 of four new "sailing" stamps, but by 9.15 a.m. on the day of issue so were two values of the new stamps. By the time I reached Canterbury one value had already been sold out there too. It seems incredible to me that stamps are not available in sufficient quantity on the first day of issue. This is an appalling attitude of mind in that the Post Office is not concerned with raising revenue by legitimate means, that is sales to collectors, as it can raise postage charges, in general, as and when it pleases.

P. J. Fox, The Battery, The Bayle, Folkestone, Kent.

To-day's Events

House of Lords: Debates on Commonwealth Association and Open University.

SPORT: Cricket: Prudential World Cup semi-finals: England v. Australia (Headingley) and West Indies v. New Zealand (The Oval).

Racing: Royal Ascot meeting continues.

COMPANY RESULTS: Cavenham (full year).

Lloyd (F. H.) Holdings (full year).

Tesco Stores (Holdings) (full year).

Whitbread (full year).

Avon Rubber (half year).

Conference on Britain's future: the next five years. Hilton Hotel, London.

Mr. Anthony Crosland, Environment Secretary, addresses Housing Centre Trust national conference, Portland Place, London, 2.30 p.m.

Mr. Fred Peart, Minister of Agriculture, attends Dairy Trade Federation lunch, Dorchester Hotel, London, 1 p.m.

Mr. Knut Frydenlund, Norwegian Foreign Minister, visits London.

PARLIAMENTARY BUSINESS: House of Commons: Sex Discrimination Bill, remaining stages.

Company (half year), Guinness (Arthur) Son and Co. (half year).

COMPANY MEETINGS: Albany Investment Trust, Liverpool, 2.30.

Boosey and Hawkes, Cafe Royal, W. 12.

British Petroleum Syndicate, Winchester House, E.C. 12.

City of Oxford Investment Trust, 41, Bishopsgate, E.C. 11.30.

Dupont, Birmingham, 12.30.

Gill and Duffus, Bakers Hall, E.C. 12.

Shiloh Spinners, Raydon, 11.30.

Trust Union, Winchester House, E.C. 2.30.

Vikings Resources Trust, 88, Leadenhall Street, E.C. 4.30.

Wood (Arthur) and Son, Stoke-on-Trent, 12.

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Coats Patons faces up to peak inflation

The following is the Review of the Chairman, Mr. Charles W. Bell, C.B.E., for the year ended 31st December 1974:

The Board

Mr. L. P. Bamford relinquished his duties as an Executive Director on 31st December last, and will retire from the Board on 30th June. His service with the Company dates from 1935. He has been a member of the Board since 1966, during which period his contribution has been valued by his colleagues, who wish him a long and happy retirement.

Mr. C. Michael Bell was appointed Managing Director of J. & P. Coats, Limited, as from 1st January 1974, in succession to Mr. H. Godfrey.

Mr. J. McAdam and Mr. W. J. Shelton were appointed Directors of the Company in February 1975.

Staff

The year 1974 was a testing one for staff in all sectors of the business. The response was outstanding and the Directors wish to put on record their appreciation of this performance.

The Business Year

Later in 1974 the relative optimism which ran through my comments in the Review with the 1973 Accounts, published in May, was tempered by the first adverse movements in some of the significant business indicators both nationally and internationally. There was prompt policy reaction particularly in respect of the relevant financial controls. Nonetheless, given the circumstances, the first six months of the year, both as regards turnover and profits, produced not unsatisfactory results. By the time we came to publish them, however, in November it was manifestly clear that we were running into a recession of some magnitude, and we said so with our announcement. The primary cause was undoubtedly the pressure of increased oil prices on world economies. This, together with other substantial increases in raw material and food prices, accelerated the latent trends towards inflation more or less universally. Some countries reacted with measures of deflation. Others attempted to ride along with the inflationary tide using palliatives of price control, subsidy, and the like, with equally disastrous results on the climate of business and on business confidence. The rise in production costs was of a degree never before experienced. This causes two major problems. In the first place it is extremely difficult, particularly in depressed trading conditions accentuated both by the restrictive techniques and the delays occasioned by price controls, to adjust market prices either sufficiently or quickly enough to cover the rise in costs. Margins therefore come under pressure. Secondly, the increased capital cost of stockholdings puts a severe strain on liquidity. Insofar as self-generated cash flow is inadequate to meet this demand, the interest cost of borrowings to meet the deficiency cuts further into already depressed trading margins.

Under these circumstances cash conservation becomes a paramount necessity. The process is painful. Quantitative stockholdings, already under strict systems of control, have been cut back to levels which under normal trading conditions would be regarded as unduly restrictive in respect of both production planning and market servicing. Mill activities have been geared back to achieve the consequent reduction in actual stock. In a vertically structured industry such as ours the process takes time. Areas of less profitable trading have been examined to determine the financial balance between continuation and discontinuation. In those cases where there is no compensating longer term commercial advantage, operations have been and continue to be phased out, some temporarily, others permanently. Finally, considerable restrictions have been placed, as a temporary measure, on new fixed capital investment. Within the limits of cash availability working capital has a priority call. One can operate in the short term without new fixed investment. One cannot do so without working capital.

It is accepted that some of these measures do not always accord with normal business practice. We are dealing, however, with abnormal circumstances. When these circumstances change, as they must, so will our reaction to them.

As will be seen from the Accounts and my later remarks relative to them, additional capital absorbed in the business in 1974 was considerable. This involved a fairly substantial increase in borrowings and of the consequent interest charge. The measures we have taken to reduce the cost of capital have been progressive and in many countries have progressively reduced the national rate of price inflation, which for our industry is now very largely a matter of labour rather than raw material costs. In this respect, however, the situation in the United Kingdom continues to be very disturbing.

Understandably with existing conditions we have difficulty in forecasting the effect on the Accounts of movements in the rates of foreign exchange. With our interim announcement we estimated, even as late as November, an exchange loss of £3,500,000 for the year; in effect the figure has turned out to be £1,600,000. With a differentially high rate of internal inflation, and with a differentially large current adverse trading balance, the position of sterling is technically weak. This could be reflected in relative rates throughout the year, in which event the overall outcome for 1975 would be an exchange gain.

Profits

Trading Profit. At £28,009,000, the Trading Profit for the first six months registered an increase of 11.4%. As clearly stated in our announcement, the second half-year showed a marked drop from £31,760,000 to £26,171,000, leaving the figure for the year down 4.8% at £54,180,000. Within this total, however, there is a weighting of very significant proportion. Two markets, U.S.A. and Australia, account for a fall of 17.9%. This means that all other markets, despite the difficult trading conditions, returned an increased profit of 13.1%.



Charles W. Bell, C.B.E.

Taxation

As you will recall, the imputation system of taxation introduced in 1973 was intended to re-unite the shareholder with his company as one tax subject, up to the standard rate of income tax. This principle did not apply in respect of profits earned and taxed abroad when remitted to this country. Consequently, many multi-national companies find that the advance corporation tax, payable on dividends paid out of profits which have not borne a full corporation tax charge, effectively reduces the rate of U.K. tax for double taxation relief purposes to 17%. In addition, tax effects such as capital allowances and stock relief, technically available in respect of the U.K. activities of multi-nationals, can seldom be fully utilised without running into problems with A.C.T. Indeed, purely U.K. operating companies can and will encounter the same problem and there is already evidence that companies are carrying forward considerable amounts of stock relief that could not be used.

The position is further exaggerated each time the standard rate of personal tax increases as a proportion of corporation tax. It is obvious that on every occasion that stock relief cannot be fully utilised cash-wise because of A.C.T., the Government is, in effect, taxing inflation. It is also self-defeating to Government intentions if tax relief in respect of capital allowances and stock appreciation cannot in effect be utilised for the purposes intended.

Profit earned for Ordinary Shareholders. At this net level profits for 1974 were £23,461,000 (1973 £26,597,000) after extraordinary losses of £1,111,000, a reduction of 11.8%, or 7.6%, excluding extraordinary losses. Exchange loss accounted for 4.2% of the fall.

Dividend

It is desirable to supplement what has been said earlier in this Review on the subject of inflation. The cash flow statement in the Accounts shows that over the years 1973 and 1974 additional cash employed in the business amounted to £114,621,000, of which £85,110,000 was self-generated and £29,511,000 borrowed. Inflation in working capital required £63,600,000, or approximately 75%, of the self-generated funds, while the 1974 requirement of £26,847,000 exceeded the cash flow to produce a deficit of £2,118,000.

Our cash flow statement is deliberately laid out to show the capital cost of inflation as the prior charge against self-generated funds. By its nature, the capital cost of inflation is not an effective addition to the Company's capital, as it merely represents the additional cost of doing the same level of business rather than increased business on which additional profit can be foreseen. This capital has no earning capacity and must therefore be generated by the Company in the form of price increases and not raised in any form outwith the Company.

The Board of Directors believes that in the interests of the Company and its shareholders its prime objective is to deal effectively with the problem of inflation and, in so doing, to utilise the self-same tax system which, in our case, normally militates against a solution of the problem.

The Board has therefore decided, after much deliberation, not to recommend the payment of a final dividend.

I would like to emphasise that this decision has been taken for the protection of the shareholders' equity interest in the Company. Adequate profits for the payment of a dividend are available and there is no shortage of cash borrowing facilities. These currently stand at some £40,000,000, and the amount could be substantially increased were the need to arise.

Scrip Issue

The Board fully realises that shareholders may have cash problems and has decided to recommend a scrip issue on the basis of one share for every twenty-five shares held by the shareholders on the register at 13th June 1975. It is hoped that most shareholders will retain the shares, but those who wish to have cash can sell them on the market in lieu.

Home Activities

The improvement of 1973 continued into the early months of 1974. Thereafter forces took a decided turn for the worse. Financial stringency forced customers to cut back on stockholdings and orders tapered off in consequence. In a vertical industry this process has an accumulative effect, and it is therefore not surprising that the influence was relatively greater on those Home companies such as Patons & Baldwins, Limited, and West Riding Worsted and Woollen Mills Limited, whose manufacturing operations start at the raw material stage. Not surprising also that the influence in both cases was magnified by the fall in raw wool prices from the very high levels ruling in the immediate past. The reduction in Patons' profits was substantial. West Riding less so with an offset to lower results from other activities largely in the form of an improvement, following extensive reorganisation, arising in the Woollen sector. In common with the industry in general, the Knitwear Division results were very disappointing. The effects of lower market demand were exaggerated by substantial knitwear imports. Profits improved on the relatively poor results of 1973, but are not yet up to the profit levels expected from this operation. Jaeger profits at Trading were up on 1973, which under the circumstances was commendable. They would have been better but for the heavy cost of the reorganisation of Jaeger activities in the U.S.A. There has been a phasing out of some unprofitable sections of the Heatcoat complex, with resultant improvement from the very best results of 1972. The Non-Textile Division (largely small parts casting) fell away as the year progressed from record levels in the earlier periods. This sector is particularly sensitive to activity variations in the Engineering and Automobile industries.

Sales in J. & P. Coats (U.K.) Limited, both at home and with export business, held up well given the overall conditions. The considerable re-organisation

of this company's production and selling arrangements is obviously paying off.

Coats Patons (Retail) Limited (the Bellman Shops) returns were poor for the second year running. Despite several changes in presentation, styling, range and pricing, we have never been able to get this operation quite right ever since the retail chain was originally acquired. It has had some limited use in retailing merchandise produced within the Group. Increased property values, of course, have always safeguarded us from capital loss on the cost of the investment. This was clearly, however, a sector of our Home operations which was brought sharply up against the Board's cash conservation directives. The decision was then inevitable. The shops will be sold off during the course of this year. The cash release not only from this sale but also from the working capital involved will give a substantial improvement in our sterling liquidity.

As I have mentioned several times in previous Reviews, there is a continuous process taking place of rationalisation and co-ordination of our complex Home activities. Events of the recent past have emphasised the need and added increased urgency to the pace. Several units have been closed down and others will doubtless follow as the various feasibility studies are concluded. Cost efficiency and the effective deployment of capital resources are the two essential pre-requisites of successful business.

Foreign Activities

In foreign markets there were few exceptions to the general pattern of increased volume and value sales in the January-June period losing impetus in the succeeding six months. Insofar as market price adjustments were possible in terms of rapidly increasing costs, value assessments can be misleading. The position varies from market to market according to the nature of the production unit involved, but a reasonable average stock base between point of initial production and point of sale would be some 20 to 25 weeks. Clearly on this basis cost pressures were increasingly evident as the year progressed, and the rate was such that corresponding price adjustments to maintain margins were difficult and in many cases impossible to achieve.

In Europe the volume ratio of sales up at the half-year, was down by December. The value increase over the same period was substantial. Spain, Italy and Belgium had a below-average performance, whilst Austria, Germany and Turkey were better than average.

The South American group of companies returned the best sales performance both by volume and by value. This area is heavily weighted by Brazil, where the rapid progress of previous years was temporarily halted, sales being about equal to those of 1973.

The Near East and Far East had a poor year, with total sales down markedly. India is the largest contributor, and the fall in this market was particularly severe in the second six months of the year.

Africa held up surprisingly well. Quantity sales in Australasia were down. Cost escalation was particularly rapid. A combination of price controls and other depressive conditions, particularly in the general textile sectors of our local operations, severely affected prices and thereby trading margins.

The States complex is the most important of our interests outside the U.K., and the annual results from this country have therefore considerable relevance to the Group's figures as a whole. Whether by reference to sales volume, sales value, prices or profit margins, 1974 performance was extremely poor. As in so many other countries, production and distribution costs (and in the U.S.A. these latter are a very important factor) moved ahead at an alarming rate. Government deflationary measures, including lack of credit and cost of credit, cut back consumer demand. Fierce competition for the reduced business available made it quite impossible to effect the very necessary price adjustments in the market-place. The markedly higher production costs moved into inventories; this increased borrowings and, particularly with the high rates ruling throughout the year, the total charge for interest. None of the normal reaction from management, even American management, could effectively cope with this conjuncture. The residual legacy is the Profit & Loss Account.

However painful this experience was, and indeed to a somewhat lesser extent continues to be, one cannot help reflecting that, from the point of view of the national economy, this process of sharp adjustment, which has brought current price inflation down to an annualised rate of about 6%, has been well worth while. One can only hope that any measures of deflation, as a result of the political pressures arising from the 1976 Presidential Election, will not be such either in timing or in scope as to reverse the trend.

Prospects

Shareholders will appreciate how extraordinarily difficult it is under existing conditions to make any meaningful statement about prospects for the current year. The cumulative increase in profit attributable was 180%, for the three years prior to 1974. This underlying strength remains. Even for 1974 there is considerable relevance in the dissection given earlier in this Review of the movement of profits as between the two markets individually named and the rest of the world. It is a reasonable assumption that any continuing set-back in 1975 would be only of a temporary nature.

Personal

By September I shall have completed forty-five years' service with the Company. I shall then retire from the Board. For the past nine of these it has been my privilege to be your Chairman. The experience has been stimulating. There are no regrets. It is a good thing for any institution to open windows to the fresh air of new ideas and new authority. I would not wish to leave without taking this opportunity to express my sincere thanks to my colleagues, past and present, and to the staff for their unvarying support, also to you, the shareholders, for your continued understanding. I am able to inform you with considerable pleasure and confidence that the Directors have indicated to me their unanimous intention to elect Mr. W. R. Henry as my successor.

The following statement was made by Mr. Charles W. Bell, Chairman of Coats Patons Limited, on June 17:-

The various comments made in the Press and by shareholders since the announcement of the decision to pass the final dividend for 1974 have been carefully considered by the Directors. The reasons for that decision are set out in my Annual Review. They are basic and unchanged. At the same time the Directors are agreed that it is desirable to give effect to those constructive proposals which have been put forward with a view to overcoming some of the short term difficulties. In consequence I should like to make the following points:-

1. The Board wishes to take this opportunity of stating its dividend policy for the longer term. The decision whether or not to pay a cash dividend and the amount thereof will be determined by earnings. Irrespective of whether these profits are derived from the United Kingdom or overseas. As explained in the Directors' Report with the Accounts, the action in respect of 1974 represents a one-off decision in quite exceptional circumstances.
2. In this respect it must again be stressed that the decision was primarily influenced by the effect of inflationary pressures on the cost of working capital, amounting as they did to an increase of £64m over the two year period 1973/74. The higher interest charge on increased borrowings had its inevitable effect on attributable profit. The fact that no mainstream Corporation Tax was available in the United Kingdom to offset ACT would not of itself have led to the decision.
3. The Directors have agreed that a 1975 interim dividend, based on the increased nominal capital, at the rate of 0.9444p per share net (equivalent on the present basis of taxation to 1.4529p per share gross) will be paid. To help shareholders, and in particular those who take credit in their accounts for dividends on a calendar year basis, this dividend will be paid in December 1975 and not in January 1976 as would have been normal. This means that in equivalent terms total dividends of 1.8098p per share net will be paid during the calendar year 1975 based on the increased nominal capital. It is intended to pay all subsequent interim dividends in December.
4. Attention is directed to the statement in my Review on the impossibility, in view of international uncertainties, of giving any reliable forecast of profit performance for 1975. Cash liquidity is currently improving as a result of our various internal measures designed to this end, and of the substantial easement of the peak inflationary pressures of 1974 (except, regrettably in the United Kingdom).
5. At this moment in time the Board expects to wish to recommend a final dividend of not less than 1.7673p per share net (equivalent on the present basis of taxation to 2.7189p per share gross). The payment of this final dividend would, of course, be subject to authorisation under such regulations as might be in force at the appropriate time. This would then mean that shareholders would receive a total of 2.7117p per share net (4.1718p per share gross) as a distribution from 1975 profits.
6. The decision to recommend a scrip issue on the basis of 1 share for every 25 held is not designed as an alternative to the payment of a cash final dividend. For those shareholders who wish to sell part of their increased nominal shareholding to provide cash, the Company has taken steps to facilitate the sale, at minimum expense, of the new shares where their number is small.

GROUP RESULTS FOR 1974

	1974	1973	1972
	£'000	£'000	£'000
Turnover	448,210	414,524	349,991
Assets employed	281,240	260,289	228,096
Profit before tax and loan interest	51,456	57,394	40,626
Profit earned for ordinary shareholders before extraordinary items	24,572	26,597	18,065
Earnings per share	9.2p	10.0p	6.8p
Ordinary dividend including income tax/credit	1.34p	3.86p	3.67p

Coats Patons

155 ST. VINCENT STREET, GLASGOW G2 5PA

INTERNATIONAL COMPANY NEWS + EURO MARKETS

Imetal confident despite nickel difficulties

BY RUPERT CORNWELL

PARIS, June 17.

THE REVAMPED structure of the Imetal mining group, now a holding company which embraces the whole of the Rothschild's interests in the sector, should lead to a much steadier flow of dividends to shareholders in the future, despite the grave difficulties which once again beset its large nickel interests.

This was the message of Baron Guy de Rothschild, Imetal President, in his speech to the Annual General Meeting to-day, in which he emphasised that by reshaping the group he had put it on a much sounder financial footing without sacrificing any of the benefits of being an integrated industrial concern.

The principal element in the reorganisation of the Rothschild holdings was of course the disposal in March 1974 of a 50 per cent interest in Societe le Nickel to the State-backed oil company Aquitaine—thus shedding part of the heavy burden of a subsidiary which had been a regular and heavy loss maker.

This year should bring early proof of the advantages to shareholders. Despite the expected heavy losses which SLN will have more incur—it has been estimated that it faces a deficit of up to Frs.100m. (£11m.) such has been the fall of the dollar against the franc and the drop in world nickel demand—Imetal should be able to pay a dividend.

Its 1975 income will mainly consist of income from subsidiaries relating to the healthier year of 1974. Baron Guy said that the surplus the company expects to carry over should ensure that its dividend is maintained when its own revenues will bear the full brunt of today's difficulties.

The restyled Imetal's consolidated accounts now take in 70 companies, of which 36 are based outside France. Just over half of its assets are in Europe, and 37 per cent in the key nickel installations in the Pacific island of New Caledonia.

Profits, Baron Guy said, were almost three-quarters generated in Europe last year, and the largest contribution by product came from the lead and zinc business of Penarroya with 46 per cent. Other mining activities, Uranium, iron and manganese, and the financial sector each chipped in a quarter, and nickel only 3 per cent.

This last figure, although eloquent proof of the unprofitability of the metal now, showed just how much scope there was for an improvement in Imetal's own results once the international nickel market turned upwards again, he argued. For the time being, most hopes are pinned on Imetal's second subsidiary, Penarroya. Although the company is expecting lean times in 1975 thanks to lower sales and product prices, Baron Guy was hopeful that conservative management over the past few years would enable a dividend to be paid. Cie de Mokta, for its part is expected to be in the black this year.

Consolidated figures for 1974 show a group turnover of Frs.49bn. (£510m.) with a gross cash flow of Frs.593m. Consolidated profits were Frs.209m., of which Frs.143m. was attributable to Imetal.

Government's exceptional levy and the depressed state of the building trade. An improvement may be expected in the 1975 figures, according to company chairman, Olivier Lecort. The chairman said despite the recent rise in the price of cement to Frs.121 from Frs.115, the group is still handicapped because the new prices are not realistic. Cement producers had asked for a 20 per cent increase and prices may possibly be allowed to rise again in October.

Profits at Lafarge have suffered from the fall in the dollar against the franc. Reuter

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Renault successor named

By Rupert Cornwell

PARIS, June 17.

AFTER MONTHS of discussion and speculation, the French Government to-day agreed on the successor to M. Pierre Dreyfus in one of the country's key business posts, at the helm of the State-owned motor group, Renault.

The "new" man—H. someone who has spent his entire years in industry in the Renault group—can be called M. Bernard Vernier-Pallaz, president since 1970 of Renault's heavy and armoured vehicle subsidiary SAVIEM. Since last December he has also been chief executive of Berliet, merged with SAVIEM as part of the Citroen Peugeot deal.

The 57-year-old M. Vernier-Pallaz is unlikely to take up his new post until the end of the year, when M. Dreyfus's term of office expires. But his long experience with the company can only serve him well at a time when Renault, like the rest of the French car industry, is facing severe problems.

Confite apart from pressure on sales, the chief advantage in choosing M. Vernier-Pallaz, rather than a favoured outsider like M. Hugues d'Estelle from the Industry Ministry, is probably that a Renault-trained man will have a better chance of coping with any unrest in a company that is always one of France's most sensitive social barometers.

He will do well though to match his predecessor's record. As president of Renault, M. Dreyfus has not only tried relatively successfully through this particular minefield, but built up the Frs.25bn. (£2.7bn.) group into one of Europe's best run car companies—not a bad argument, perhaps for nationalisation.

Reuter

Reuter

Reuter

Federale Volksbeleggings to deconsolidate stakes

JOHANNESBURG, June 17.

FEDERALE Volksbeleggings will discontinue financial consolidation with

Mr. Rousseau said deconsolidation will have no effect on the distributable profits or on the dividend income of the company. Because the company does not currently use the equity method of accounting, however, consolidated earnings will show a decrease.

Mr. Rousseau said this is an accounting concept and will have no effect on Fed Volks' cash income. It is anticipated that dividends declared by the company during 1975 will be higher than the 17 cents per share in 1974. Taxed profit in 1974 was 2,112,000 R21m.

Mr. Rousseau also said that through a series of shareholdings, the company held controlling interests in both Federale Myburgh and General Mining and Finance.

In terms of the Companies Act, Federale's results and assets and liabilities of these companies were consolidated with those of Fed Volks in its accounts. Reuter

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with slightly more than 16 per cent at December 31, 1974. Mr. Rousseau said deconsolidation will have no effect on the distributable profits or on the dividend income of the company. Because the company does not currently use the equity method of accounting, however, consolidated earnings will show a decrease.

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Second SDR bond goes well

By Michael Warden

ANOTHER important step has been achieved in the second round of international Monetary Fund operations, as the SDR bond issued by the fund to-day was well received by the market.

The amount of the bond, which was sold at a discount, was \$100 million. The bond is a 10-year bond, with a coupon rate of 6 per cent, and is to be repaid by the fund in 1985.

The result could be important for the fund's SDR operations, as it shows that the market is willing to accept the fund's SDR issues.

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Lafarge investment plans for 1975 to 1979

PARIS, June 17.

CONSOLIDATED 1974 net profits for Ste. Lafarge were Frs.151.7m. (Frs.215.1m.). Group net profits before extraordinary items were Frs.100.9m. (Frs.127.1m.) and earnings per share came out at Frs.21.69 (Frs.27.32). Consolidated net turnover was Frs.4.8bn. The company plans Frs.3.7bn. worth of investments for the five years 1975-79: 42 per cent of this will be in France and 58 per cent abroad. Lafarge said 73 per cent of the capital spent will concern cement and related industries and 22 per cent will be directed towards other sectors. The 20.6 per cent fall in 1974 group profits is the result of the

Government's exceptional levy and the depressed state of the building trade. An improvement may be expected in the 1975 figures, according to company chairman, Olivier Lecort. The chairman said despite the recent rise in the price of cement to Frs.121 from Frs.115, the group is still handicapped because the new prices are not realistic. Cement producers had asked for a 20 per cent increase and prices may possibly be allowed to rise again in October.

Profits at Lafarge have suffered from the fall in the dollar against the franc. Reuter

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Thomson to maintain dividend

PARIS, June 17.

THOMSON-BRANDT will certainly maintain its dividend in 1975, Frs.12.75 in 1974. The company's earnings for the first quarter of 1975 were Frs.12.75, compared with Frs.12.25 in 1974. The company's earnings for the first quarter of 1975 were Frs.12.75, compared with Frs.12.25 in 1974. The company's earnings for the first quarter of 1975 were Frs.12.75, compared with Frs.12.25 in 1974.

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Exceptional items at Esselte

By William Dufosse

STOCKHOLM, June 17. ESSELTE, the Swedish printing and publishing group, reports an operating profit after depreciation and financial items, of Kr.75m. (€8.4m.) on a turnover of Kr.1.3bn. (€146m.) for the year ending March 31. The turnover is only slightly higher than that for the previous year, which included sales by a paper mill sold in April 1974.

Operating result, which compares with Kr.42m. for the previous year, includes, however, Kr.30m. on the mill's account and prices gains of Kr.15m. counterbalanced by one-off costs of at least the same amount for the running down and start-up of units. An extraordinary income of Kr.208m. takes the pre-tax profit to Kr.283m., producing a net profit of Kr.183m., compared with Kr.13m. for the previous year.

The Board proposes to raise the dividend from Kr.10 to Kr.11.50 per share and to make a bonus issue of two-for-three, raising the equity from Kr.130m. to Kr.217m.

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Kansai plans rights issue

By William Dufosse

Kansai Electric Power Co. said that it plans to make a 25 per cent rights issue. Shareholders are to be offered new shares at a discount of 25 per cent to the current market price. The company's earnings for the first quarter of 1975 were Frs.12.75, compared with Frs.12.25 in 1974. The company's earnings for the first quarter of 1975 were Frs.12.75, compared with Frs.12.25 in 1974.

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Other News

By William Dufosse

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Associated Japanese Bank (International) Limited

an international bank with a wide range of activities specialising in Euro-currency Finance

Share, Loan Capital & Reserve U.S. \$45.6 million
Loans U.S. \$351.7 million
Total Assets U.S. \$718.9 million
(Equivalent of £ Sterling as at 28th February 1975)



Associated Japanese Bank (International) Limited

29-30 Cornhill, London, EC3V 3QA
Telephone: 01-623 5661, Telex: 883661

Jointly owned by

The Sanwa Bank Ltd The Nisui Bank Ltd
The Dai-ichi Kangyo Bank Ltd The Nippon Securities Co Ltd
(Shareholders' aggregate assets exceeding U.S. \$80,000 million)

Thyssen DM.50m. loan

AUGUST THYSSSEN HUEITTE has raised DM50m. in a private placing of 8.25 per cent, seven-year loan notes at par with Deutsche Bank and Dresdner bank.

In April, the German steel company raised another DM50m. marks in 8.5 per cent, seven-year loan notes at 98.5 per cent to yield 8.6 per cent with the same German banks.

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SELECTED EURODOLLAR BOND PRICES

MID-DAY INDICATIONS

raised DM500m. in a private offering of 3.25 per cent, seven- year loan notes at par with the Deutsche Bank and Dresdner			present \$14175m. capital, dividen- ded at 5 1/2 per cent. Annual share- s will be reduced to \$14105m. by cutting the nominal value of the shares to \$1410. After the reduc- tion, Hutchison proposes to in- crease its capital to \$14105m. by creating 20m. New \$1410 nominal shares.		
In April, the German steel company raised another DM500m. at 8.5 per cent, seven- year loan notes at 98.5 per cent, yield 8.6 per cent with the same German banks.			Hutchison Financial is a sub- sidiary of Hutchison International, formerly called Slater Walker Overseas Investments. It changed		

SELECTED EURODOLLAR BOND PRICES					
MID-DAY INDICATIONS					
	Bid	Offer		Bid	Offer
STRAIGHTS					
Amex 5 1/2% 1980	99	100	Asiabank 5 1/2% 1982	99	100
Asiabank 5 1/2% 1987	99	100	Asiabank 5 1/2% 1992	99	100
Asiabank 5 1/2% 1997	99	100	Asiabank 5 1/2% 2002	99	100
Asiabank 5 1/2% 2007	99	100	Asiabank 5 1/2% 2012	99	100
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FINANCIAL TIMES SURVEY

Wednesday June 18 1975

Offshore Investment Centres

The growth of offshore investment centres is an established feature of the international financial scene. The popular image of them as "tax havens" contains a large grain of truth, but they are also useful links in the flow of corporate funds. Some are emerging as major centres in their own right.

THIS SURVEY is about offshore investment centres. The term "offshore" does not necessarily have geographical connotations—it is used in this context to denote that various "onshore" restrictions such as tax or exchange controls are relaxed or perhaps totally non-existent in the centre concerned.

Nowadays an "offshore" financial centre in the broad sense of the word need not be a remote (but preferably tropical and sun-bleached) island, a picturesque European principality or a resurrected legal anomaly of a decaying empire. Although centres fulfilling these descriptions do exist and are useful, they are but a part of the offshore financial world, much of whose operations are carried out in the traditional financial centres of London, Zurich, New York, and Tokyo, and which have been joined, as indicated elsewhere in this survey, by Hong Kong, Singapore and Panama. Goodman, better known as Adam Smith of the Money Game and Super Money, is reputed to have said: "The thing to remember about offshore is that offshore is the fortieth floor of Number 40 Wall Street, or it could have been the first floor of Number 40 Wall Street, or Threadneedle Street or Pitt Street—no matter."

But this is not to denigrate offshore financial centres which at the least fulfil a vital servicing role to the international financial community. Indeed one of the most interesting

facets of the offshore world is the emergence of some locations as financial centres in their own right. The classic example of this is Panama, which has now quite outgrown its offshore origins to become a financial centre of international stature—the Switzerland of South America. Singapore has achieved similar prominence in the Asiatic market through imaginative legal drafting and Government initiative.

Transactions

What are the essential characteristics of an offshore financial centre? Put another way, what factors should be considered in deciding in which centre to do business? The two pre-requisites are an absence of tax on the particular transactions considered (or a total absence of tax), and a similar freedom from exchange control. (An adequate range of local entities is assumed). Note that there does not have to be complete absence of tax or exchange control, but only an absence of such restrictions in relation to the particular transactions in question. The Republic of Panama imposes a fairly substantial tax burden on its residents and on most of those persons doing business there but it is the fact that no tax is imposed on foreign source profits that accounts for Panamanian companies' popularity. Inclusion within the sterling area did not affect the attraction of Bermuda and the Bahamas to non-residents of the sterling

area—they could apply to be exempt from the restrictions normally imposed on Sterling Area residents. Similarly the Channel Islands' inclusion within the present redefined sterling area has not noticeably affected its ability to attract international business. Again non-residents of the (redefined) sterling area can be virtually exempted from the Bank of England constraints normally

imposed on U.K. residents. But the mere fact that no tax or exchange control restrictions exist in the offshore financial centre concerned does not of course mean that the use of such a centre will eliminate the user's tax and exchange control problems.

Take, for instance, an international company setting up a subsidiary in a low tax territory. It may be able to arrange for part of its profits to be generated in or diverted to those territories to reduce or at least postpone tax liability. Such an operation is subject to attack from at least three directions.

First, provisions can exist to prevent the setting up of the offshore company in the first place. This can be done either by exchange control or by tax rules prohibiting the transfer of various assets or imposing a penalty on certain types of corporate re-organisation. These rules are more likely to prevent the transfer of existing activities than the setting up of new ventures.

Secondly, the country of Many countries, such as the U.K., use exchange control regulations which can force the repatriation of profits or compel the liquidation of the company. But assuming these hurdles are overcome and given an effective absence of tax or exchange control in the offshore centre what factors should influence the user's choice between various tax havens?

There is no simple answer to this question. All will depend upon the facts of a particular case. But one should certainly consider the reasons which led to a country becoming an offshore investment centre. This

may indicate the likelihood of any changes in such status. Inherent in such an assessment will be the vital questions of political stability. The world is littered with countries which in their hey-day were renowned offshore financial centres. Tangier will not enter into anyone's current list—nor, until the oil crisis, would the Lebanon. Both favourites a decade ago. But such an analysis will

serve to pinpoint for how long the predicated absence of tax and exchange controls is likely to continue in the future. This will be critical if any assets are located in the offshore investment centre, although the importance attached to political stability can be exaggerated where no cash or assets are located in the centre concerned.

A study of the centre's history and present level of business can also help in deciding which centre is likely to be most suitable operationally in this area. There is no replacement for experience. The two main factors contributing to opera-

tional success will be the quality of the advisers/staff available locally and the quality of communications between the centre and the outside world. There is seldom a problem in obtaining first class local advice—all centres have individuals who would be regarded as intelligent, successful and efficient in any financial centre. The problem lies down the line: it may be far less easy to be sure that a certain sum of money will be sent promptly, that all local formalities are correctly complied with in time, and that routine tasks are adequately and efficiently performed. The "best" offshore financial centre is not the one with the best lawyers, accountants or bankers, but the one with the best managing clerks. Linked to the importance of high calibre local staff will be good communications and access (especially important in these expensive-energy days). All too frequently in offshore financial centre operations things have to be done at the last minute. It may be too much to expect of local lawyers, accountants or bankers to draft complicated legal documents. In order to be able to communicate essential details to the offshore centre concerned, efficient telephone and telex lines, plus easy accessibility by public transport and frequent and regular mail services, are essential. Linked to the question of local efficiency will, of course, be the question of costs. International finance and tax is an

Expansion

The ever-increasing self-generating growth of tax-free economy, coupled with the huge transfer of wealth to the untaxed Middle Easterners, is likely to ensure continued expansion in the offshore world despite a recent slowdown in growth in developed countries. This is prompting countries other than those considered in this survey to join the offshore "club" frequently without understanding what it takes to attract business. The number of "no tax" offshore centres of one description now well exceeds 20.

This is leading to increased competition—and is also likely to lead to a fall off in business in those centres not providing out of the ordinary services—to the point where only those centres with obvious advantages in terms of location, communications, financial infrastructure, stability, or well-drafted legislation does the future look profitable.

Role in world finance

By MICHAEL EDWARDES-KER

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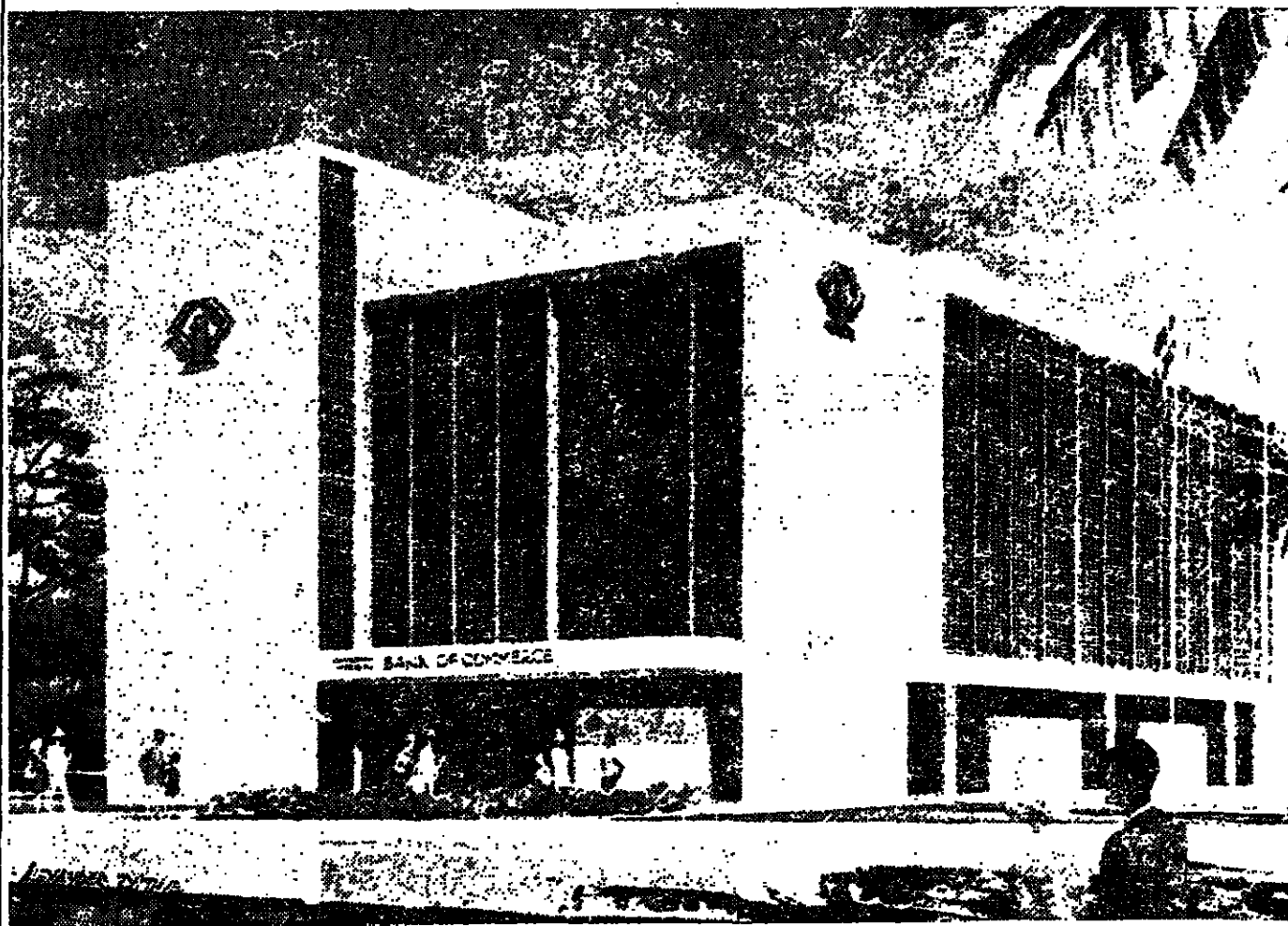
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OFFSHORE INVESTMENT CENTRES II

Ebb and flow in the Caribbean

THE TWO MAJOR Caribbean offshore centres have escaped the worst effects of the worldwide recession and both places report a steady if unspectacular growth in the business which is attracted to them from many parts of the world. Meanwhile Panama is establishing itself as a major Central American offshore centre.

The Bahamas, despite growing unemployment and a downturn in the hotel and tourist industry, is still in a stronger position than two years ago, just before independence. The confidence that began to return about a year ago shows no signs of ebbing and, although many bankers concede that a good deal of work has been lost in the past four years, most observers believe that at least some of it is now returning to Nassau.

Apart from the relaxation of work permit controls introduced by the Pindling Government and the general lessening of tension following independence, the continued strength of the Bahamas owes much to its geographical location, its good air connections and its excellent telecommunications links with the U.S.

As the cost of doing business in, say, London has climbed in the past five years a number of smaller American banks have placed increasing emphasis on the Bahamas as a base for their offshore operations because it offers a relatively cheap location in the same time zone as the parent bank and with direct dialling between headquarters and Nassau.

But the myriad trust com-

panies and banks in the Bahamas realised some time ago that to guarantee their continuing health they would have to look beyond North America for their clients, particularly after new U.K. business effectively came to an end after the demise of the sterling area.

New business has been attracted from South America, Europe and the Middle East and Far East with some success, but even so at least one major institution has recently indicated privately that although business has doubled, it is still scarcely more than half what it was three and a half years ago.

Transferred

The problems that the Bahamas faced in the early '70s certainly worked to the advantage of the Cayman Islands, the other major offshore centre in the area. A good deal of trust and offshore business was quietly transferred to the Caymans, a diminutive British colony whose only other "industry" is turtle rearing.

As a Crown Colony, the Caymans were felt then to have a stability that the Bahamas seemed to be losing. In the past four years George Town, the capital, has been expanding rapidly, with new bank buildings on almost every corner. There are now some 170 banks and trust companies and over 5,000 registered companies in the colony and the number is growing all the time.

But the Caymans is not as fortunate in its transport links as the Bahamas and the fact that the land area is so small and the population not much more than 11,000 has led to a

slight feeling of claustrophobia among some of the expatriates who have gone out there.

Both the Bahamas and the Caymans have tightened up their controls in recent years and the bank failures and other irregularities once particularly associated with the Bahamas are now largely a thing of the past. In the Bahamas there is now a very well run Central Bank which has made a very significant contribution to the development of the Bahamas as an international financial centre.

Under the regulatory provisions of the Central Bank Act every commercial bank has to comply with certain minimum deposit requirements and the country's new Financial Institutions Act is aimed at enlarging the authority of the Central Bank so as to permit it, once a bank licence has been revoked, to move for immediate nomination of a receiver to protect the assets.

In the Caymans, which last autumn experienced its first serious bank failure when the privately owned Interbank Group failed, there was also fairly tight controls. Mr. Vassall Johnson, the Financial Secretary, takes care to weed out "undesirable banks" and more than 20 banking licence applications have been refused. Interbank's collapse did jolt the island, particularly as the bank was involved in the financing of a number of local projects, but it seems to have had no lasting effect.

Both the Bahamas and the Caymans have profited greatly in the past from the enormous expansion in Eurocurrency dealing. In the past offshore

domicile for U.S. banks greatly facilitated their transactions in this field, but there is a growing feeling in some quarters that as Federal Reserve Board restrictions become more flexible the appeal of offshore centres may come to an end.

But both in the Bahamas and the Caymans it is felt that, even if this should occur, it is bound to be a slow process conditioned by the growth of the petrodollar market and the natural expansion of the financial community that any regulation that can be removed can also be re-imposed.

In any case, "shell" operations, like some of those involved in the Eurodollar market, tend to maintain very small staffs, with much of the management work being done on a contract basis by local banks or trust companies. The impact of their departure, therefore, is likely to be felt principally in the loss of licence and management fees.

Worst over

Besides the two major offshore centres, Bermuda is still attracting a steady flow of business and the Netherlands Antilles also has a fair amount of offshore business, mostly from North America, with what one banker described as an exclusively offshore banks can "trickle" from Holland, Curacao, and to a lesser extent with general licences at no cost to either. This, in turn, means that offshore banks can now open subsidiaries and need not form their own banks and seem likely to encourage new institutions to come to Panama.

Yet the original reasons for Panama's growth, both financial

and non-financial, are probably what attract most new business. As in some other centres, banks have freedom to do whatever business they choose, tax is only levied on domestic profits, there are no exchange controls and there is no central bank. The U.S. dollar is legal tender, deposits can be made in any currency and numbered accounts are permitted.

Besides the established offshore centres there have been rumours from time to time that other countries were planning to turn themselves into tax havens to attract sorely needed

investment. The most notable of these concerned Grenada, which last year indicated that it was seriously considering becoming a tax haven, but so far nothing appears to have come of this. For the existing offshore centres in the area fresh competition will not be very welcome. They are already having to compete quite hard for business with offshore centres in other parts of the world, not to mention rivals closer to home.

Nevertheless, at the moment most observers see a fairly secure future ahead for the major centres. The Bahamas might again be adversely affected if there were to be political instability and the Government is certainly coming under pressure in Nassau to counter the effects of growing unemployment in the tourist industry

which, combined with the fact that so much of the country's population is aged under 20, could cause serious difficulties. In the Caymans, where much of recent growth has been based on infrastructural investment in better schools, medical facilities and housing if there are not to be at least rumblings of discontent from Caymanians who resent the way their island is changing.

Yet as the U.S. pulls itself gradually out of the recession and as increasing amounts of business are attracted from new markets, it seems likely that the existing centres will not have very much to complain about and only the most pessimistic believe that they will not still be in a sound position a year's time.

David Bell

Their appeal for the individual

"NO MAN in this country is under the smallest obligation, moral or other, so to arrange his legal relations to his business or property as to enable the Inland Revenue to put the largest possible shovel into his stores."

Any international tax adviser worth his salt will recognise this famous comment made by Lord Clyde. His advice is as timely now as it was when he gave it—50 years ago. Since then, judicial attitudes have hardened considerably, and over the last few years nearly all European countries, the U.S. and Canada have brought in tougher controls over their residents' offshore business. At the same time the burden of taxation has got heavier. Income taxes have generally been rising faster than wages and salaries in most European countries over the last decade. Against this background it is not surprising that private individuals are looking increasingly closely at ways of reducing or deferring their tax liabilities by utilising the services of offshore investment centres where the levels of taxation are considerably lower.

Basically there are three major reasons why an individual uses an offshore investment centre. First, it offers opportunities to avoid or defer income and capital gains tax and estate duty. Secondly, such centres can sometimes insulate a person's wealth from onerous foreign exchange restrictions thereby giving an individual considerably more flexibility in managing his investments. Thirdly, wealthy residents of politically sensitive countries sometimes like to have their fortunes controlled from a safe offshore centre just in case they ever have to leave in a hurry.

Obstacle

For most people, however, the major obstacle to utilising the services and fiscal advantages of an offshore centre, is access. Most high-tax countries have put severe restrictions on their residents' use of such centres both by phasing tax avoidance loopholes and tightly enforcing foreign exchange controls. But there are still ways certain individuals can take advantage of offshore centres.

The first and most obvious way is to emigrate to an offshore centre. Famous personalities such as Tony Jacklin, Jackie Stewart and Sean Connery have chosen to do just that. By giving up U.K. domicile the aim is to escape, as far as possible, income and capital gains tax as well as estate duty. But there are drawbacks. Sun-drenched havens such as the Cayman Islands might be ideal for tax purposes but they are not ideal places to raise a family. Albania, for instance, has no income tax, but few people would consider moving there. Emigrating sometimes means breaking family ties and in addition can be very expensive. The first hurdle is the scheduled territory, such as the Channel Islands, Jersey, for example, generally insists that wealthy newcomers

to the island pay at least £10,000 per annum in local tax, which implies an income of at least £50,000 per annum. A retired person living off unearned income would have to be well on the way to being a millionaire to qualify.

These days emigrating is not as easy a solution as it once seemed. Apart from the problem of where to go (Jersey limits itself to about 15 wealthy emigrés per annum at the moment), a growing number of tax authorities continue to chase their ex-citizens even after they have left the country for good. Americans are probably the hardest hit. Former U.S. citizens are still liable to taxation has got heavier. Income taxes have generally been rising faster than wages and salaries in most European countries over the last decade. Against this background it is not surprising that private individuals are looking increasingly closely at ways of reducing or deferring their tax liabilities by utilising the services of offshore investment centres where the levels of taxation are considerably lower.

Another occasion when an offshore centre is often used is when a number of people of different nationalities do a business deal. The American and Dutch partners, for instance, are unlikely to want to pay U.K. profits tax and the U.K. partner will be unwilling to pay either U.S. or Dutch tax. In such circumstances the partners are most likely to set up a joint company in some offshore centre thereby postponing their tax liabilities until they remit profits to their respective countries.

For the ordinary U.K. taxpayer working and living in Britain there really are no particular advantages in using an offshore centre under normal circumstances. For foreign exchange control reasons U.K. persons are limited to offshore centres in the scheduled territories namely the Isle of Man, the Channel Islands and Gibraltar. For most people emigration is a non-starter and the introduction of Capital Transfer Tax has severely curbed many of their other attractions. Offshore investment centres tend to be useful only to people in special tax situations.

To the question "which country is the best offshore centre?" there is no easy answer. There is a tendency to rate offshore centres rather like restaurants in a good food guide. Depending on how wide a definition one uses there are between ten and 50 possible centres an individual can theoretically choose from, and every one has their favourite. Some of them are a trifle bizarre. A couple of years ago, for instance, Minerva, a small coral reef near Fiji, was being touted as the world's first underwater tax haven but nothing has been heard of it since.

William Hall
The Banker

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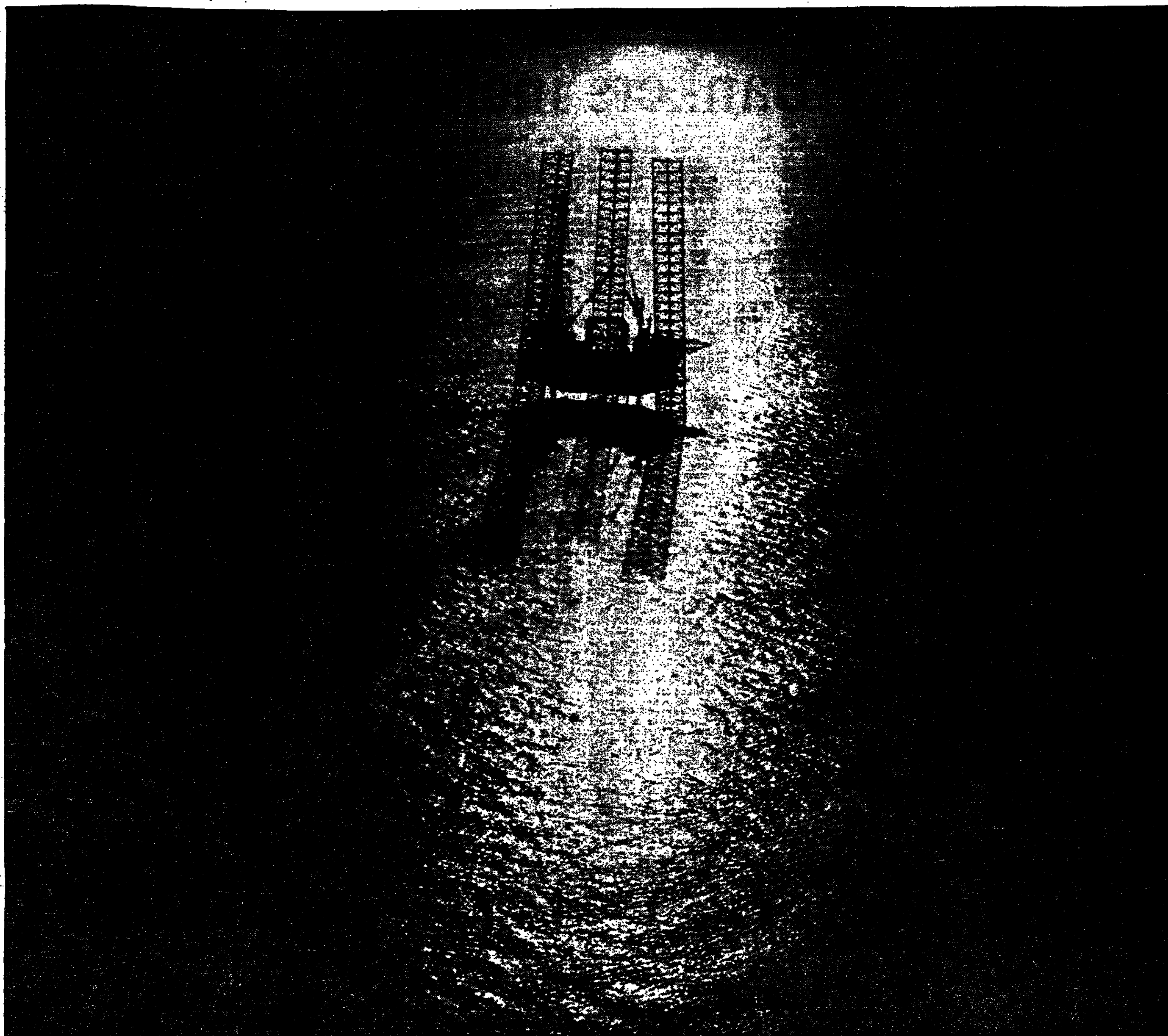


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Gibraltar	40%	1%	—	—	—
Overseas Sterling area					
Bahamas	—	—	—	—	—
Bermuda	—	—	—	—	—
British Virgin Isles	3.12%	—	—	12%	—
Cayman Isles	—	—	—	—	—
Hong Kong	10%	15%	—	—	—

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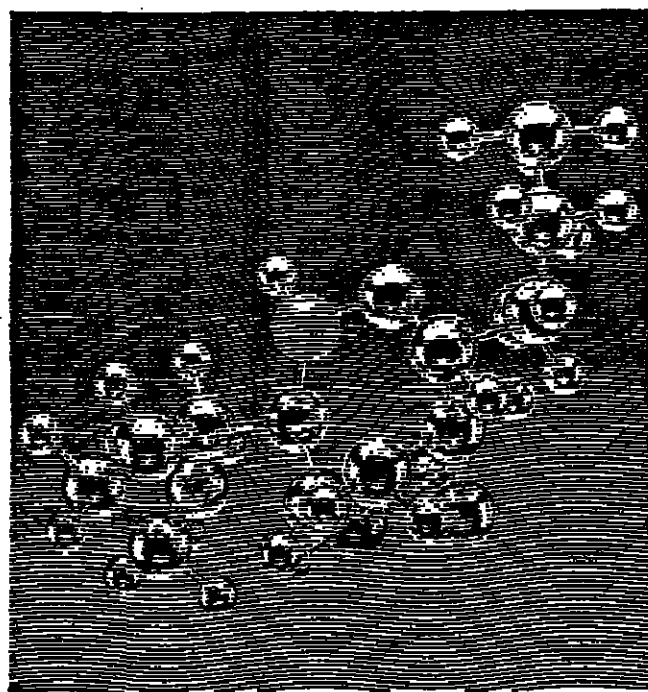
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OFFSHORE INVESTMENT CENTRES IV

Bankers incline to caution

LAST YEAR will surely be remembered as one of the most traumatic ever for offshore banking. The collapse of Herstatt and Franklin National, combined with news of the large foreign exchange losses at a few major banks last summer led to the most serious crisis of confidence in international banking since World War II.

Against a background of a constant stream of widespread and strident predictions of the imminent breakdown of the international financial system many banks drastically cut back their involvement in the ephemeral world of offshore banking. It is a mark of the resilience of the offshore markets that as winter approached, and the worst fears of international bankers failed to materialise, confidence recovered and business began to return to more normal levels.

Cutback

But the problems of 1974 have left their scars on the offshore banking community. According to the Bank for International Settlements (BIS) the gross size of the Eurocurrency market increased by only 14 per cent. in 1974 to \$220bn. This marked a sharp cutback on the 45 per cent. growth of the previous year. Much of it is explained by the sharp drop in inter-bank business in the aftermath of last summer's problems. Banks, such as the Italian and Japanese, which had been heavily involved in this sector, found they had to pay up to two percentage points above the LIBOR rate for funds and hence withdrew from the market.

The cutback in activity was concentrated in the third to quarter of 1974 and was largely only with a handful of top confined to the inter-bank American and European banks. Loans to non-bank in addition, following the disbursements continued to expand closure of serious foreign throughout most of the year. exchange losses by a few banks. In fact medium-term syndicated and the problems of the U.S. lending increased from \$24.1bn. real estate investment trusts in 1973 to \$30.2bn. last year, and the U.K. property sector. In net terms the Eurocurrency market grew by about one third credit lines to smaller institutions. The net result was that business of banks outside many smaller banks, which had Europe is added in, the BIS estimates that altogether the inter-bank funds to support total net size of the Eurocurrency market grew by their source of funds had dried. \$55bn. in 1974 to \$210bn. The up. As a result they had no first quarter of 1975 has been alternative but to cut back

characterised by a slightly slower growth in normal lending activity and a revival of inter-bank activity. At the end of March the BIS estimates that the net size of the Eurocurrency market amounted to \$220bn.

Confirm

U.S. Federal Reserve figures confirm this trend. U.S. banks' foreign branch assets in the Bahamas and Cayman Islands rose rapidly in the first half of 1974 from \$23.7bn. to \$31.2bn. in June. Since then they have fallen back and it was not until the end of the year that the June peak was passed.

Unlike the previous two years when smaller banks had made big inroads into the offshore market the biggest banks were left very much to their own devices last year and were able to pick up some very lucrative business. Banks such as First National City (which earns over 60 per cent. of its profits overseas), boosted their earnings significantly from offshore lending. By the autumn spreads on new business had improved markedly and the banks remained in the market found themselves operating in a lenders market, for the first time for many months.

The accent on size was reflected equally in the offshore centres themselves, with the bigger centres gaining an increasing share of the total business. Middle Eastern investors favoured London to other

offshore centres. The combination of traditional skills and a powerful central bank prepared to support all financial institutions if necessary, gave London a head start over competing offshore centres. According to the BIS, London increased its share of the gross Eurocurrency market from 47.2 per cent. to 50.6 per cent. last year. London's natural advantages, however, were to a certain extent offset by the sharp drop in inter-bank activity, a very large part of which is based in London. American banks, for instance, cut back their business in this sphere very significantly. The result was that U.S. banks' foreign branch assets in London, which had increased by over \$10bn. in the first few months of 1974 and peaked at \$72bn. in May, had fallen back to \$63.5bn. by the beginning of 1975. U.S. banks' London branches had cut back their inter-bank lending from \$37.9bn. in May, 1974, to \$32.1bn. by January, 1975.

Not all of this cutback can be attributed to the difficult conditions in the inter-bank market for the drop in activity is that per cent. of the total offshore U.S. banks are now doing far more of their lending "on shore" as opposed to "off shore", following the removal of growth of the market is Singapore-based. Asian banks' foreign branch assets altogether grew by only 24 per cent. in 1974 compared with 56 per cent. the year before. By comparison the rate of increase of U.S. banks' domestic-based foreign lending rose sharply from 29 per cent. in 1973 to 72 per cent. last year. Undoubtedly some of the only real source is the Bank of

England's figures on U.K. banks' business with other offshore centres. It can be seen from these figures that London-based banks are net suppliers of funds to the Bahamas, Singapore and Panama. In contrast, Lebanon, Bermuda, Liberia and the Cayman Islands are important net suppliers of funds to London. These figures, which much reflect inter-bank activity and the arbitrage of funds between various centres, give little indication of the level of offshore lending to non-banks.

As to the future outlook for offshore business most bankers seem considerably more confident than they were six months ago. The growth of offshore activity is likely to be considerably slower than it was in the first half of 1974, but it will be more soundly based than before. The BIS commented in its recent annual report that the events of last summer had had on the whole a "salutary effect" on the development of the market.

Banks have become more risk-conscious and selective in their new loan business. The size of individual syndicated loans has been reduced and average maturities have become considerably shorter. While it was not unusual for banks to make loans in 1973/4 with 10 year terms, five-year maximum terms are now much more common. The margins on new business have increased sharply which should enable banks to build up adequate provision against future losses.

William Hall

Field of manoeuvre for the multinationals

ALTHOUGH it is a popular concept that offshore investment centres are chiefly used for personal tax avoidance, in practice their greater importance is to the tax planning of international companies.

The significance of these tax havens—low or nil tax areas as various as the Channel Islands, the Bahamas and the New Hebrides in the Pacific—to the arrangement of the affairs of the big multinational groups is however sometimes exaggerated. It is true that the fact that activities of these corporate giants now span many countries—and that their aggregate resources run up to hundreds of billions of dollars—gives them considerable power to manoeuvre their funds, with exchange control and tax factors in mind.

Yet there is no question of their operating outside the purview of the main, more highly-taxed countries, based only on the subsidiary of the some little-taxed island haven. Practicalities concerned with suppliers and customers alone forbid that. The international companies are thus closely associated with larger and more highly-taxed nations, including particularly the U.S. and countries in Western Europe.

And the Western nations' taxmen keep a close watch on their activities to enforce sustainable tax claims upon them in a way which greatly limits their ability to lighten their tax burden.

Indeed, anti-avoidance legislation has tended to be stepped up in recent years, during which the multinationals have increasingly become the butt of criticism for allegedly escaping total control by any individual national authority. In particular, the gradual movement towards greater harmonisation of tax measures among different countries, notably within the Common Market, has accelerated this trend.

Yet there is no doubt that many a large multinational company, operating in several if not in their countries, can gain some advantage by arranging particular

transactions through offshore low-tax centres. Often the principal aim is, by taking transactions through such havens, to do no more than avoid double taxation which might otherwise accrue through differences in the tax levels of major countries, or the want of double taxation agreements between them. There are various possible ways of benefiting, by no means all of which may be available to, or used by, any given concern.

Transfer

For instance, when a group is producing and selling in a range of countries, one tax-saving arrangement can be to route products at modest prices, through a low-tax centre, the goods then being invoiced on to ultimate markets at higher prices. By "transfer pricing" in this way, considerable profits can arise in the subsidiary of the group which operates in the tax haven, and attract little tax communications, and links with there. Revenue authorities in the country of origin of the goods can, however, be expected to scrutinise transactions involving supply through tax havens areas with special care for any unacceptable tax avoidance.

Another form of arrangement is for a multinational to channel payments due to it for royalties, services such as know-how, and interest, accruing to it from various sources to a subsidiary, or intermediate holding company, in a tax haven.

By "extracting" the maximum sums for this sort of service out of the member companies operating in high-tax nations to the group's arm in the tax haven, profit—and so high tax national authority—is reduced in the former centre, while low-taxed profit is boosted in the latter.

In many cases, the primary concern of multinationals vis-à-vis tax havens seems to be to use them for avoiding double taxation by arranging foreign income so that the tax rate on company, operating in several if not in their countries, can gain some advantage by arranging particular

be offset against that at home may be avoided. An American expert says: "Companies try to house income in a place which enables them to reduce overall tax on foreign income to a rate not in excess of that in the U.S. If there is a 50 per cent. corporate tax rate in the U.S. and if overall foreign tax is, say, 60 per cent, there is 10 per cent. of the overseas burden which cannot be offset. The tax haven is used to bring down the rate to that applicable in the U.S."

It has to be borne in mind that, even if little-taxed income piles up in a multinational's subsidiary or intermediate holding company in a tax haven, the day must come when a dividend from it is paid to the parent in a more highly-taxed country, or the company may be wound up. In either event, tax is then levied on the parent company in its country of residence, on the dividend or any capital gain. Thus what has been achieved is a deferral of tax, rather than its complete avoidance.

This may, however, still be a worthwhile exercise for the multinational. The actual tax paid may be less than if matters had been otherwise arranged. And in any event, in times of high interest rates, there are gains from later payment and use of the cash meanwhile. Moreover, in inflationary conditions, there are advantages in paying later in cheaper pounds, dollars or whatever is the currency in question.

The fact that considerable balances do build up in them makes tax havens centres a source of considerable short-term investment of funds from them, the resultant income also attracting low tax. The Channel Islands, for example, have for some years been a rich source of cash for deployment in the money market. Cash held by deposit-taking institutions in Jersey at the end of 1973 was as high as \$950m.

Offshore investment centres with low tax rates may also have further specialist uses to some multinational companies.

Pension funds for the benefit of long-term expatriate employees are often managed from them to obtain the maximum advantages of low-tax investment, while certain insurance operations can be handled through them.

While some of the advantages of offshore centres may have diminished as fiscal authorities in leading countries have tightened their policies, in one financial context their usefulness has tended to increase.

This is in relation to Eurobond and certain other Eurocurrency borrowings by major international companies. Since offshore centres such as Nassau in the Bahamas, and Curacao, do not deduct withholding tax on interest payments, it has in many cases suited borrowing companies to make Eurobond issues through offshore centres so that interest can be paid gross.

The community of international lenders has a taste for interest paid without tax deduction, so that tax arrangements are left to be settled between investors and their own fiscal authorities.

Until recently there was scope for companies operating in several countries to pay some remuneration to appropriate British-based staff and directors through overseas low-tax centres such as the Cayman Islands, as became well-publicised in the Lomrho affair of 1973. Recently, however, there has been a toughening of the law and 75 per cent. of directors' fees paid overseas is now charged to U.K. tax, whether the cash is brought home or not.

Use of offshore centres by multinationals is likely to remain subject of keen interest to tax authorities in major countries. But it seems unlikely to cease to be a factor in these groups' operations so long as discrepancies in the tax rates and rules of different countries remain.

Margaret Reid

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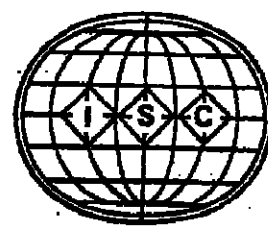
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OFFSHORE INVESTMENT CENTRES V

The Sterling Area

A DIVISION can be conveniently made between the "sterling area" investment centres and those centres located outside the U.K. exchange control net. Since January 1, 1974, the offshore financial centres within the U.K. exchange control net comprise the Channel Islands, Gibraltar, and the Isle of Man. There have been few major changes within the territories during the past few months, but

certain events are worthy of mention. In the Channel Islands attempts were made to increase the basic £300 a year flat rate of tax on "corporation tax" type companies, but in the event Jersey and Guernsey failed to move in unison and after a series of conflicting statements it proved impossible for both islands to raise the £300 rate of tax to £500. Accordingly the proposals were dropped.

The main talking point in the Channel Islands (and the Isle of Man) has been the hardening in the attitude of the U.K. tax authorities towards those islands. It has manifested itself in the enactment of Section 45 (1)(c) of the Finance Act 1975, commented on in more detail in the article by John Chown entitled "The Changing Scene." As indicated in that article Section 45(1)(c) will severely restrict the out-

Perspective

This legislation should be viewed in perspective. Because of excessive popularity, Jersey has been forced to restrict further this year's new housing licences to non-residents. A prior requirement was that £10,000 per annum tax be paid—now the number of successful applicants allowed for new housing licences is 15—all such applicants were expected to be millionaires. Since the enactment of the Finance Act U.K. domiciled millionaires are unlikely to retire to the Channel Islands.

There was much resentment in the Channel Islands and the Isle of Man at this so-called "discriminatory legislation" and there were threats that the islands would start selling their tax facilities more aggressively. The Isle of Man has followed Jersey and Guernsey in introducing a flat rate tax on non-resident controlled companies. This is at a rate of £200 and was introduced under the Manx Company Registration Act.

Gibraltar has had communication problems. In early December 1974 no mail service was in operation—mail sorters and postmen had been laid off by the government following a two month wage "go-slow." Nevertheless initiative triumphed in certain cases and, somewhat ironically given Spain's attitude to Gibraltar, use was made of the Spanish postal system.

Legislation in high tax countries

WITH THE exception of the small changes in Hong Kong company taxation discussed elsewhere, there has been few recent developments in the offshore financial centres themselves. This is hardly surprising as their livelihood depends on a stable and secure legal environment.

Residents of the high tax countries have been less fortunate. Changes in such countries inevitably have their repercussions on the flow of funds and of individuals abroad.

Canada is about to publish regulations on the taxation of Foreign Accrual Property Income. The concept of FAPI, originally introduced in the 1971 Tax Reform Act, is equivalent to the U.S. concept of Subpart F income flowing into a controlled foreign corporation. Certain income received by Canadian-controlled foreign corporations would be subject to Canadian taxation whether or not distributed. It now looks as though the Canadian Government intends shortly to activate this legislation. Another country which followed the earlier U.S. example was Germany.

Wrong side

The U.K. has introduced a Capital Transfer Tax (CTT) to take the place of estate duty. Although it is difficult to draw a firm dividing line between taxation (a necessary means of financing the modern State) and confiscation, most taxpayers and their advisers feel that CTT in the form and at the rates imposed is on the wrong side of this line. Taxpayer attitudes have to be seen in the context of a structure of income taxes

and capital gains taxes which are the most severe in the world and which make no allowance for a rate of inflation now in excess of 25 per cent., and of the threat of the wealth tax. A specific aspect of the CTT legislation has a direct concern for the Channel Islands and the Isle of Man, and this is discussed below.

Ireland has introduced a capital acquisitions tax, and a wealth tax and, although the rates and rules of these look decidedly modest by U.K. standards, they are frightening enough by absolute standards of good tax practice. There is certainly evidence of a growing resort to offshore solutions, including emigration. The 1974 Irish Budget contained provisions imposing tax on Irish residents who had "power to enjoy" the income of overseas companies or trusts. That legislation closely follows the provisions of Section 478 of the U.K. Taxes Act.

In the U.K. there has been a considerable tightening of the provisions by which the Inland Revenue can query transfer prices between associated companies and substitute arm's-length prices. Such provisions have long been on the Statute Book, as they have been in many other countries, but the new rules extend their scope and give the Revenue considerably greater powers of obtaining information. In addition to the general tightening up there are specific rules applying to oil companies which are already discriminated against on an international basis.

Although the general principle of such legislation is understandable and acceptable, there are two objectionable features here. The first is that the revenue will be entitled to demand information in regard to overseas companies which would not normally be available even to a shareholder in such a company. This attempt to extend the tax net to those outside the jurisdiction has unfortunately several precedents including the earlier attempt to extend tax liability to non-resident sub-contractors to the North Sea oil industry.

This is also a real relaxation in that the exemption now applies to all foreign currency assets (except gold) and is not confined to those denominated in the currency of the country of nationality of the individual concerned. Foreign nationals and those who can establish that their roots are outside the U.K. should take advice from their banks as to whether they can take advantage of the materially revised rules.

Finally the bad, indeed the worst, news—the concept of "deemed domicile" as it applies for U.K. capital transfer tax purposes. This means, apart from anything else, that those who change their domicile to one of the Channel Islands or to the Isle of Man will be treated, for the purposes of CTT, as if they continue to be domiciled in the U.K. for all time. There is an exemption for assets "created" for instance by the active exercise of a business, after the move but this is no help to those who in the past have retired to one of these islands to protect their

CONTINUED ON NEXT PAGE

Other centres

ANDORRA remains an attractive location for those seeking to retire but has not yet made an impact as an offshore financial centre. There are rumours that legislation will be introduced to enable Andorra to develop in this direction.

Liechtenstein has been in the news recently with the announcement that part of the estate of the late Aristotle Onassis is to be managed by a Liechtenstein Foundation in memory of his only son Alexander, tragically killed in an air crash. More prosaically, the Liechtenstein Government proposed a rise in the coupon tax from 3 per cent. to 5 per cent.—this was defeated by a general referendum in the context of more widespread tax reform proposals. Nevertheless costs have still increased. The annual tax now totals Sw.Frs.1,000 per annum and the capital required for most Liechtenstein entities has been increased from Sw.Frs. 20,000 to Sw.Frs.30,000.

Malta cannot be seriously considered as an offshore investment centre at present—especially in view of Mr. Mintoff's recent statements in which he even expected the Catholic Church to start paying tax on its activities in Malta. But it remains quite popular for labour intensive light industry due to tax incentives normally given on a case-by-case basis.

The two Pacific offshore investment centres considered in this survey are Nauru and the New Hebrides. Most of the business in these two islands will come from Australia, but this has now come to an abrupt halt

following the introduction of extensive anti-avoidance legislation by Australia's Labour Government. At present the main method used to prevent Australian residents setting up operations in these countries is a screening procedure under exchange control. Under present regulations the Federal Bank must obtain a clearance certificate from the tax authorities where certain transactions are to be carried out by Australian residents in certain named tax havens, including Nauru and the New Hebrides. Accordingly these centres will have to look for new areas of business, notably Japan.

Telex link

The main development of interest in the New Hebrides is the establishment of a Hong Kong telex link. This new circuit is supplementary to the link via Paris and Noumea and operates on weekdays from 2000 hours to 1100 hours GMT, which corresponds to the normal daylight hours in the New Hebrides. The next step to be taken shortly is to open a circuit round the clock. Political changes are also due to take place in the New Hebrides during 1975.

Although independence is not apparently envisaged in the foreseeable future, a degree of self-government will be achieved this year by the replacement of the present Advisory Council by an elected Representative Assembly. This assembly will have legislative powers and will be predominantly Melanesian.

Hong Kong and Singapore

THE MAIN importance of Hong Kong and Singapore is as the rival financial centres of the Far East. There is now an important Asiadollar market paralleling the Eurodollar market. Indeed for practical purposes the two markets are one. An Asiadollar, like the Eurodollar, is simply a U.S. dollar deposited in a bank outside the U.S. The two markets have identical characteristics and any small interest rate differentials between them would be taken care of in the normal way by arbitrage.

Both jurisdictions impose tax. Singapore tax rates are comparable with those of industrialised countries, but there are a number of specific exemptions and tax holidays to encourage new business. Hong Kong levies tax at what was until recently effectively a 15 per cent. flat rate on income and profits arising in Hong Kong. Foreign source profits were exempt, but the domestic tax base was jealously guarded.

A small change was made in the last Hong Kong Budget. Hong Kong did not tax individuals on dividends received from Hong Kong companies on the grounds that these had already been taxed. It is proposed to introduce a modest additional burden on distributed profits from 1976. In the meantime the rate of tax on company profits is increased to 18 per cent. although the rate on individuals remains at 15 per cent.

Depositors

Now let us look specifically at the Asia-dollar market. Banks in an offshore financial centre pay interest on deposits for non-residents and receive interest from non-residents. Any tax, at however small a rate, on the gross interest would completely kill the market. Depositors expect a yield clear of taxes and if they can obtain 10 per cent. tax free they will expect 11.1 per cent. if the interest is subject to a 10 per cent. withholding tax. As many governments have discovered, withholding tax on

interest falls on the domestic borrower and not on the foreign lender. A bank which has to pay 11.1 per cent. gross when its foreign competitors are only paying 10 per cent. gross obviously cannot compete in the international market.

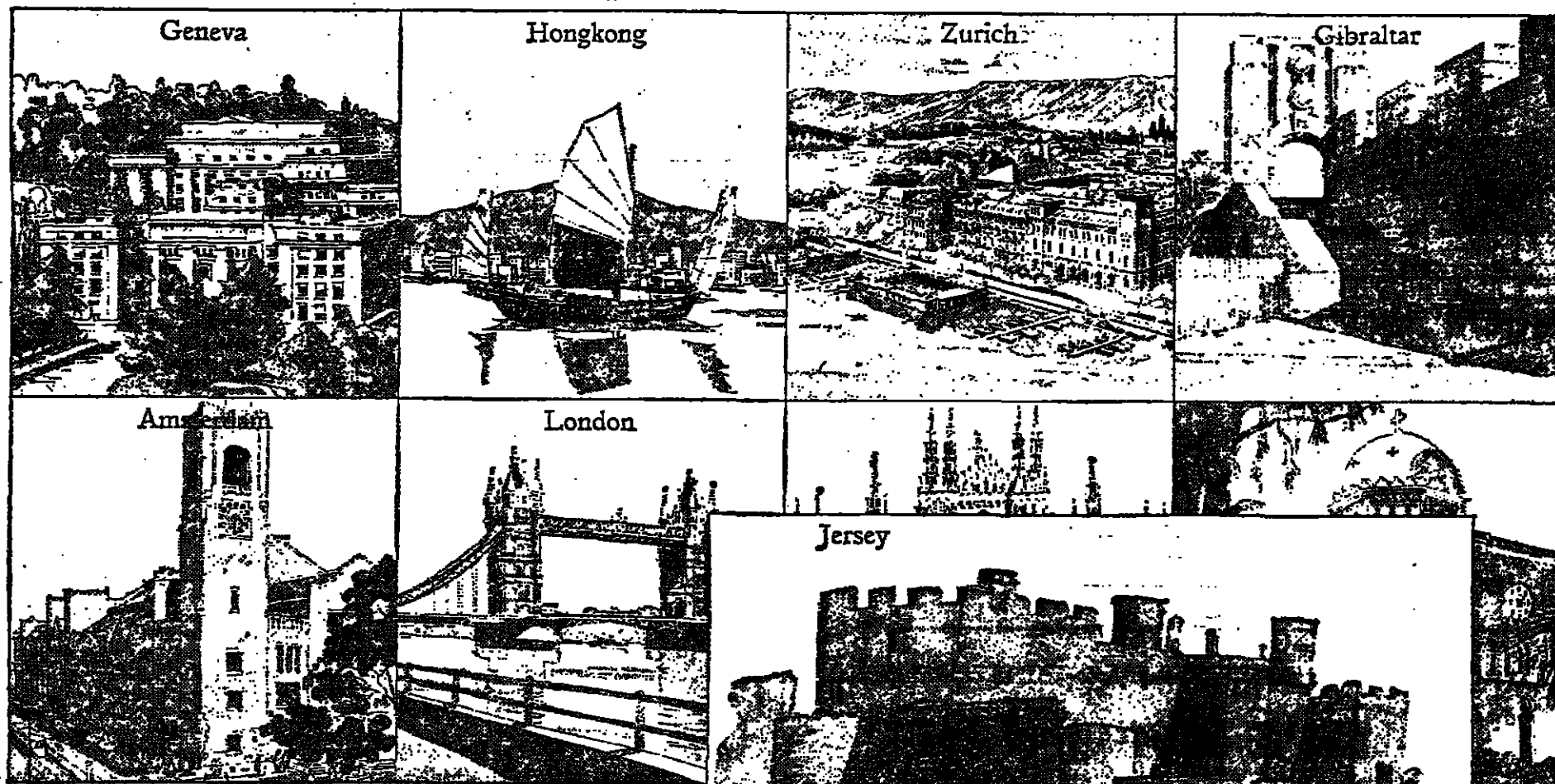
Penalties

Similarly any requirement, however modest, that a proportion of the funds be deposited with a central bank at a less than commercial rate of interest and any requirements to pay any form of insurance premium or deposit will kill a market. (Lebanon is bringing in legislation to remove these penalties at present imposed on Beirut banks.) In comparison a tax on net profits after expenses will not kill a market but may (compare London and Nassau) result in a certain amount of business being written by offshore branches.

Hong Kong does impose a 15 per cent. tax on interest and this precludes Hong Kong banks from actually taking part as principals in the Asiadollar market. However, this has not proved an obstacle to the growth of business thanks to the development of the "memorandum account" procedure. Banks in Hong Kong actually negotiate the business and take responsibility for borrowing and lending but arrange for the actual transactions to be written elsewhere, perhaps in London, Nassau or Singapore.

Singapore's solution to the problem was the introduction of the Asia Currency Unit or ACU. This is in effect a department of a Singapore bank (not necessarily or indeed usually a separate company) which is free to borrow and lend in any currency other than Singapore dollar. These deposits can be lent to non-residents, but the bank cannot transfer Singapore dollars to the ACU for onward lending in another currency, nor can it borrow foreign currency for transfer into Singapore dollars. An ACU department is taxed at a special rate of 10 per cent. on its profits.

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OFFSHORE INVESTMENT CENTRES VI

Watchful stance by governments

THE PROBLEMS of Government and inter-Governmental organisations trying to restrict tax avoidance and the escape of potential investment funds to countries with low taxation fall into two distinct categories. One set of problems concerns their own residents. The other, larger and more difficult problems arise when the tax-evasion is by a foreign multinational corporation.

An example of this dichotomy is Germany, the only West European country with an all-embracing anti-avoidance legislation against tax havens. This legislation deems all unearned income of companies situated in a tax haven to be the income of the German resident who owns such a company or is the beneficiary of its income. But the law, enacted in 1972, leaves completely untouched the bigger problem of multinational corporations with headquarters outside of Germany.

Similar anti-avoidance measures in Section 478 of the U.K. Income and Corporation Taxes Act 1970 do not apply to companies. Moreover, the great variety of devices possible under the law of trust severely

restricts the effectiveness of British anti-avoidance measures. Of even greater importance is probably the judicial attitude which still gives greater weight to the form than to the substance of a transaction.

As recently as in 1943 Lord Simon said that though the efforts of tax avoiders cannot be regarded as a commendable exercise of ingenuity or as a discharge of the duties of good citizenship, "there is no doubt that they are within their legal rights." By 1973 the legal climate had substantially changed and the House of Lords was prepared to see as "a raid on the Treasury" the combined effect of several transactions which, when viewed separately, were completely within the law and as such would probably have been passed a few years earlier.

In view of this judicial development it seems only a question of time before the U.K. will adopt the approach usual on the Continent where the motive behind the transactions and the good faith of those who engage in them count more than the wording of the tax laws. Ultimately one can expect that

the U.K. will accept the concept of "abuse of rights"—when advantage is taken of a statutory device for another purpose than for which it was designed.

In most Continental countries, and notably in France, transactions without some good commercial purpose will be dismissed as an "abuse of rights." Much the same sort of abuse would be seen in Holland if a taxpayer tried to use an unusual method instead of a more normal resulting in higher tax. Germany and Luxembourg also have provisions against the "abuse of forms and legal structures of civil law" and designed only as tax saving devices, will not succeed.

The same concept underlies the Swiss methods against the abuse of double taxation treaties. A decree of the Federal Council of December 14, 1972, provides that the tax relief according to such treaties will be deemed improper if claimed by a Swiss resident for the direct or indirect benefit of persons not entitled to it by the treaty. For example a claim of tax relief under a double taxation treaty made by a Swiss company is abusive if persons not

entitled to such tax relief have a direct or indirect participation in that company.

Because of the differences in the legal climate specific provisions following identical aims differ from country to country. The detailed provisions of Section 478 of the U.K. Income and Corporation Tax Act 1970, hits income transferred to persons abroad which the taxpayer can or will be able to enjoy in the future and it places the burden of proof that the transfer was not made for such a tax avoidance purpose squarely on the shoulders of the taxpayer.

Offence

Section 482 of the same Act makes it a criminal offence for a U.K. company to transfer its residence or any part of its business out of the U.K. without the consent of the Treasury and Section 485 makes it advisable to keep transfer prices between associates at proper current market value. Also of importance are Sections 41 and 42 of Finance Act 1965, dealing with capital gains of non-U.K. resident companies and Section 45 of Finance Act 1975 introducing capital transfer tax.

Australia, New Zealand and South Africa achieve the same effect as U.K. legislation and possibly more by a simple blanket provision which any tax avoiding arrangements are void as against the tax authorities while remaining valid for other purposes.

The U.S. legislation has special provisions against the individuals who within the past ten years gave up U.S. citizenship for the principal purpose of tax avoidance. The Treasury has to prove it is reasonable to believe that the loss of citizenship will result in the particular

tax year in a substantial tax reduction. However, once this was established it is on the taxpayer to prove that his motive was not tax avoidance.

The German Foreign Tax Law of 1972 attributes income of havens and not only those with foreign corporations controlled by shareholders resident in Germany to these shareholders if it is subjected abroad to an income tax of less than 30 per cent. computed according to the German Tax Law.

The French Finance Law of 1974 provides in Article 14 that interest, royalties, payment for services made by French residents to individuals or companies in tax havens cannot be deducted as expenses in tax returns unless the debtor establishes that such expenses correspond to real transactions and are neither abnormal or exaggerated. Similar provisions are included in the Belgian Tax Law which requires the taxpayer to prove that interest, royalties, etc., paid to a foreign holding company operating in a tax haven are made in connection with a genuine transaction and are within normal limits. The Belgian authorities take into account only such transfers of capital and movable property to a holding company in a tax haven only if it can be proved that the taxpayer received for these transfers their true value in a form producing a normal amount of taxable income.

This Belgian system is recommended by the EEC Commission which, however, has an ambivalent attitude to letter-box companies. It would like to remove tax evasion facilities distorting competition in the capital market but fears that drastic measures may only drive the letter-box companies away from tax havens without benefiting the taxmen of the member States. The Commission therefore proposes that only such steps should be taken which would have a parallel impact in respect of all tax administrations each following different economic purposes and employing different taxation methods. Tax rates range between 35 and 50 per cent. of profits but in addition there can be also great differences in the definitions of taxable income.

These differences in taxation are a strong inducement to allocate income as far as possible to subsidiaries and other associate companies in countries with lowest taxation. This is done by fixing transfer prices between associate companies so as to leave greatest profits where the taxation burden is smallest. Transfer prices will at any time affect the involved country's foreign exchange position, its customs duty yields and on the shares which local partners of foreign subsidiaries are entitled.

The taxation problem of the multinationals is much easier to solve for countries which are mainly home countries to such multinationals. By adopting the principle of taxing worldwide profits of its multinational corporations and granting tax credits for any taxes paid by them abroad the U.S. can easily afford to forget about the tax

haven problems in respect of multinationals as long as they are satisfied that these keep proper books in their headquarters.

The same behaviour of multinationals creates a completely different situation for host countries. Difficulties of this type were brought to a head in Germany during the oil crisis when the Federal Government found itself helpless in the face of the oil majors' reluctance to disclose their basis for their transfer prices. Its price regulation and anti-trust moves were largely frustrated and this at the time was even more important than the synchronising of profits from Germany and the evasion of German taxes.

For this reason Germany is in the forefront of efforts in the UN, the OECD, and the EEC to obtain some transparency of multinationals and some agreement on the rules governing transfer prices. Bonn proposed, for example, that the EEC Commission should establish a group of experts investigating the tax problems of multinational oil companies. Its long-term objective is to achieve a higher degree of practical co-operation with foreign tax administrations. The German Government intends to expand its network of legal assistance treaties and to intensify international co-operation whenever there is the suspicion that a multinational is transferring its profits to a low taxation country.

In addition to international co-operation there are a few things a country can do at home in order to improve its knowledge of the multinational operation. In one category of such domestic

efforts falls the attempt by the U.S. Treasury to elaborate acceptable methods for determining the allocation of research costs—a matter of great importance in the Hummer La Roche case now pending before the High Court.

Another category includes changes in disclosure legislation. Germany has rules which prevent government departments from using information obtained from companies for other purposes than that for which it was requested. It is now proposed in Germany that these restrictions should be lifted and that information obtained by one government department should be available also to other government departments—for example to tax authorities trying to determine a proper level of transfer prices.

Some of the loudest criticisms of transfer pricing employed by the multinationals comes from developing countries, though their situation is different and in some respects easier than that of a developed country like Germany. The activities of multinational corporations in a low density economy are fairly obvious and for that reason developing countries have tended to conclude with multinational corporations agreements concerning specific projects dealing not only with tax relief but also with convertibility of earnings and other matters. However, the tax holiday incentive granted by a developing country in order to attract investment can be easily frustrated by the worldwide profit taxing method adopted by the multinationals' home country.

A. H. Hermann

The saga of offshore funds

TOWARDS the end of the 1960s offshore investment funds seemed to be one of the world's great growth industries. How the great boom crashed, and the offshore fund movement became largely discredited by the disasters which beset mushrooming empires like IOS, Gramco and the Real Estate Fund of America is now a question of history. What matters still, however, is that offshore fund managements, though far from dead, have to work fairly hard to scratch a living in a generally hostile world.

The IOS crash, in particular, led to the setting up of controls by governments which seriously contracted the demand in the key European market for offshore investments. Funds tend to be subject to tight national regulations before they can be sold, seriously limiting the scope for general international appeal. And although the Middle Eastern market is still largely free from controls, the blow to consumer confidence was such that selling funds has been very much of an uphill task. The generally poor

performance of most equity markets around the world in the past few years has also tended to dampen the enthusiasm of investors.

On the other hand, the amount of money earned by expatriates of various nationalities in low tax areas—of which the Middle East is probably the most important current example—has tended to increase with the growth of international job mobility, and the German tax policies of countries like the U.K. certainly have not favoured the immediate repatriation of such wealth. Moreover, offshore funds have certain advantages in the management of their portfolio compared with their counterparts domiciled in traditional financial centres.

The absence of capital gains tax, for instance, will improve capital performance; even if the investor himself eventually has to pay the tax, it will have stayed within the fund, producing a return, for the period of this investment. Income, meanwhile, will suffer only withholding tax (any local tax will be low or non-existent) so there will be more income to be rolled up with accumulated funds.

For British investors, too, the choice of currency of the investment (pound or dollar) is also relevant. Funds run from the U.K. have for some years had to surrender 25 per cent. of the premium on sales of investments bought through the investment currency pool, and in 1974 this penalty was extended to important former sterling area countries like Australia and

South Africa. At times recently this has amounted to a tax of over 10 per cent. on portfolio switching. Funds domiciled overseas do not, of course, suffer this switching penalty, although U.K. residents have to pay the premium when they buy into such funds, and lose the 25 per cent. when they eventually sell.

Buoyancy

The argument is by no means one-way here, however. The buoyancy of the premium itself, rising from 10 per cent. to a couple of years ago to some 80 per cent. at one time recently, has given a substantial performance bonus even to the U.K. domiciled international funds. And there are ways and means through back to back loans, whereby U.K. unit trusts can avoid some of the problems of the premium (and closed-end investment trusts can borrow directly overseas). In practice, U.K. residents have been much heavier buyers of U.K. domiciled international funds than the offshore variety.

In part, the lack of interest by U.K. investors in offshore funds may reflect the marketing situation—offshore funds are not allowed to advertise or otherwise solicit sales whereas, of course, British trusts can clamour directly for the investor's attention. Funds are allowed to advertise in some overseas areas, but reaching such a thinly spread market can be a difficult and expensive task. It is perhaps inevitable that difficult communications should be a disadvantage of offshore funds. It is more comforting to an investor to know that he

can check up on his holding by looking at quoted prices in his daily newspaper, or sort out problems through a telephone call, rather than have to cope with overseas mail. At the same time, nearby centres like Jersey do not suffer these snags to the same extent, and quite an extensive list of offshore fund prices is quoted daily in the Financial Times.

Buyers of offshore funds may have to cope with rather higher costs—whether the obvious ones like buying or selling and management charges, or dealing legal and other costs which can be charged directly to the fund, and so on affect income or capital growth. On the other hand, there is no need to fear that money invested in offshore funds is in any way unsafe, even though local controls on managers may be less tight than, say, in the U.K. Many eminently respectable international investment houses run funds in all kinds of offshore centres, and investors dealing with these can assume the same kind of financial prudence which would be normal in London or New York. The actual investment management of the funds is often in any case subcontracted to experts in the main financial centres.

Basically, investors have the choice of sterling area and non-sterling area offshore funds. Funds domiciled in, say, the Channel Islands, have most of the tax advantages of further funds, but still face the premium problem on their purchases of securities in the rest of the world. Non-sterling area centres popular with the U.K. fund management groups include Bermuda and the Cayman Islands.

Several of the U.K. groups—Save and Prosper and M. and G.—have also combined with other international houses in setting up Luxembourg based funds in the past year or two. But these have largely been designed to appeal to the Japanese market.

At any rate, investment interest is still there when the right kind of vehicle is devised. Only last year Slater Walker started its Jersey Energy Trust—specialising in the North American energy sector—which has quickly pulled in some £2m. One complication is that offshore funds are denominated in a variety of currencies—for in non-sterling area trusts the currency is often the U.S. dollar, but it may be Bahamian dollars, or sometimes Swiss francs. This is largely a technicality, for the underlying securities may well be denominated in quite different currencies, but it is a "pain" worth bearing in mind when performance figures are quoted. Obviously a fund will appear to have performed much better if its price is quoted in terms of a weak currency like sterling than in, for instance, strong Swiss francs.

Difficult

Keeping track of the relative performance of offshore funds is in any case a difficult task. Since they so often specialise in particular areas like the U.S. Japan or Europe it is not very sensible to compare them closely, at any rate over a short period. Last year, with virtually all world stock markets on the slide, offshore funds showed pretty general falls, of something like a quarter on average, against a drop of 38 per cent. by the "Unittrusts" index of U.K. unit trusts, and of 55 per cent. by U.K. equities in general, as measured by the FT Actuaries All-Share Index.

This year the swings and roundabouts effect has been working, however. Offshore funds rallied well in the first few months of the year—by perhaps 30 per cent. up to May—but the Unittrusts Index rose by over 50 per cent. and the All-Share more than doubled at that period. Moreover, the offshore list has shown some sharp short term variations; naturally those closely involved with the U.K. stock market have been tending to sparkle in recent months, but that is, of course, no guide to what may happen in the future.

Barry Riley

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—Company Management
(in conjunction with our Trust Department)

Countries

CONTINUED FROM PREVIOUS PAGE

family's assets from the deprivations of the State. Inevitably the growing and increasingly sophisticated financial communities of the islands have been looking further afield for new business.

Domicile is an important concept for U.K. tax law. An individual's domicile is the country which is his natural home, regardless of where he may actually be living. The rules are complicated, and were changed, particularly for married women, at the beginning of last year. A U.K. resident of foreign domicile still enjoys some protection from U.K. tax on his non-U.K. income. Liability to estate duty followed domicile regardless of residence. So does liability to CTT, except that in certain circumstances those domiciles elsewhere can be deemed to be domiciled in the U.K. for CTT purposes.

First, those domiciled in the U.K. on or after December 10, 1974, will have a "deemed domicile" for three years after any actual change of domicile. They must wait this period before they can make any disposition of assets without liability to CTT. (Life assurance companies will doubtless

quote premiums to cover the payment of the tax should the emigrant die within the three year period.)

The second and for this purpose most important situation concerns those who become domiciled in "the islands" (that is the Channel Islands and the Isle of Man) after December 10, 1974, who were immediately before becoming domiciled there domiciled in the U.K. They will continue to be treated as domiciled in the U.K. ever afterwards.

Thirdly, for the purposes of CTT only, are those of foreign domicile who have been resident in the U.K. in 17 out of the previous 20 years and treated as if they were domiciled in the U.K. However, in determining "residence" for this purpose the possession of a place of abode in the U.K. is ignored. This is intended to let off the hook people whose main home has not been in the U.K. but who have kept a house or flat for the purpose of frequent visits. Under the normal rules of residence the mere possession of a place of abode in the U.K. can constitute residence.

John Chown

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WALL STREET OVERSEAS MARKETS

FOREIGN EXCHANGES

Further headway in early trading

Record £ low

BY OUR WALL STREET CORRESPONDENT

THE RALLY made further headway on Wall Street today, although the pace was slower. Investors were additionally encouraged by President Ford's statement last night that the economy has bottomed out and will soon be growing again.

After opening another 3.21 up at \$97.77, the Dow Jones Industrial Average partially reacted to \$97.50 at 1 p.m. for a net rise of 1.54, while the NYSE All Com Index rose on a further 3 cents to 484.72. Trading volume sharply expanded by 2,400 shares to 104,400, compared with 1 p.m. yesterday.

President Ford said he is confident the U.S. is at the bottom of the economic slide since the 1960s. In remarks prepared for delivery to the National Federation of Independent Business.

One analyst said the Stock Market is continuing to respond to the drop in April inventories announced last week and also on expectations that interest rates will continue to fall.

Rockwell International gained \$1 to \$252 and Gulf Oil \$1 to \$20.

OTHER MARKETS

Canada firmer

Canadian Stock Markets were generally firmer in light trading yesterday morning.

The Industrial Share Index rose 0.35 to 187.21. East Metals 0.12 to 22.87. Western Union 0.58 to 187.41. Banks 2.29 to 260.91. Pipers 0.09 to 108.14. But Golds shed 0.50 to 405.03 and Utilities eased 0.42 to 130.13.

Indices

NEW YORK

DOW JONES AVERAGES

Index	June 17	June 18	Change
Dow Jones Industrial	97.77	99.28	+1.51
NYSE All Com	484.72	487.72	+3.00
NYSE 30	104.40	106.80	+2.40
NYSE 100	104.40	106.80	+2.40
NYSE 200	104.40	106.80	+2.40
NYSE 400	104.40	106.80	+2.40
NYSE 600	104.40	106.80	+2.40
NYSE 800	104.40	106.80	+2.40
NYSE 1000	104.40	106.80	+2.40
NYSE 1200	104.40	106.80	+2.40
NYSE 1400	104.40	106.80	+2.40
NYSE 1600	104.40	106.80	+2.40
NYSE 1800	104.40	106.80	+2.40
NYSE 2000	104.40	106.80	+2.40
NYSE 2200	104.40	106.80	+2.40
NYSE 2400	104.40	106.80	+2.40
NYSE 2600	104.40	106.80	+2.40
NYSE 2800	104.40	106.80	+2.40
NYSE 3000	104.40	106.80	+2.40
NYSE 3200	104.40	106.80	+2.40
NYSE 3400	104.40	106.80	+2.40
NYSE 3600	104.40	106.80	+2.40
NYSE 3800	104.40	106.80	+2.40
NYSE 4000	104.40	106.80	+2.40
NYSE 4200	104.40	106.80	+2.40
NYSE 4400	104.40	106.80	+2.40
NYSE 4600	104.40	106.80	+2.40
NYSE 4800	104.40	106.80	+2.40
NYSE 5000	104.40	106.80	+2.40
NYSE 5200	104.40	106.80	+2.40
NYSE 5400	104.40	106.80	+2.40
NYSE 5600	104.40	106.80	+2.40
NYSE 5800	104.40	106.80	+2.40
NYSE 6000	104.40	106.80	+2.40
NYSE 6200	104.40	106.80	+2.40
NYSE 6400	104.40	106.80	+2.40
NYSE 6600	104.40	106.80	+2.40
NYSE 6800	104.40	106.80	+2.40
NYSE 7000	104.40	106.80	+2.40
NYSE 7200	104.40	106.80	+2.40
NYSE 7400	104.40	106.80	+2.40
NYSE 7600	104.40	106.80	+2.40
NYSE 7800	104.40	106.80	+2.40
NYSE 8000	104.40	106.80	+2.40
NYSE 8200	104.40	106.80	+2.40
NYSE 8400	104.40	106.80	+2.40
NYSE 8600	104.40	106.80	+2.40
NYSE 8800	104.40	106.80	+2.40
NYSE 9000	104.40	106.80	+2.40
NYSE 9200	104.40	106.80	+2.40
NYSE 9400	104.40	106.80	+2.40
NYSE 9600	104.40	106.80	+2.40
NYSE 9800	104.40	106.80	+2.40
NYSE 10000	104.40	106.80	+2.40

IND. DIVIDEND YIELD P.C.

Index	June 17	June 18	Change
Dow Jones Industrial	4.69	4.59	-0.10
NYSE All Com	4.69	4.59	-0.10
NYSE 30	4.69	4.59	-0.10
NYSE 100	4.69	4.59	-0.10
NYSE 200	4.69	4.59	-0.10
NYSE 400	4.69	4.59	-0.10
NYSE 600	4.69	4.59	-0.10
NYSE 800	4.69	4.59	-0.10
NYSE 1000	4.69	4.59	-0.10
NYSE 1200	4.69	4.59	-0.10
NYSE 1400	4.69	4.59	-0.10
NYSE 1600	4.69	4.59	-0.10
NYSE 1800	4.69	4.59	-0.10
NYSE 2000	4.69	4.59	-0.10
NYSE 2200	4.69	4.59	-0.10
NYSE 2400	4.69	4.59	-0.10
NYSE 2600	4.69	4.59	-0.10
NYSE 2800	4.69	4.59	-0.10
NYSE 3000	4.69	4.59	-0.10
NYSE 3200	4.69	4.59	-0.10
NYSE 3400	4.69	4.59	-0.10
NYSE 3600	4.69	4.59	-0.10
NYSE 3800	4.69	4.59	-0.10
NYSE 4000	4.69	4.59	-0.10
NYSE 4200	4.69	4.59	-0.10
NYSE 4400	4.69	4.59	-0.10
NYSE 4600	4.69	4.59	-0.10
NYSE 4800	4.69	4.59	-0.10
NYSE 5000	4.69	4.59	-0.10
NYSE 5200	4.69	4.59	-0.10
NYSE 5400	4.69	4.59	-0.10
NYSE 5600	4.69	4.59	-0.10
NYSE 5800	4.69	4.59	-0.10
NYSE 6000	4.69	4.59	-0.10
NYSE 6200	4.69	4.59	-0.10
NYSE 6400	4.69	4.59	-0.10
NYSE 6600	4.69	4.59	-0.10
NYSE 6800	4.69	4.59	-0.10
NYSE 7000	4.69	4.59	-0.10
NYSE 7200	4.69	4.59	-0.10
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NYSE 7600	4.69	4.59	-0.10
NYSE 7800	4.69	4.59	-0.10
NYSE 8000	4.69	4.59	-0.10
NYSE 8200	4.69	4.59	-0.10
NYSE 8400	4.69	4.59	-0.10
NYSE 8600	4.69	4.59	-0.10
NYSE 8800	4.69	4.59	-0.10
NYSE 9000	4.69	4.59	-0.10
NYSE 9200	4.69	4.59	-0.10
NYSE 9400	4.69	4.59	-0.10
NYSE 9600	4.69	4.59	-0.10
NYSE 9800	4.69	4.59	-0.10
NYSE 10000	4.69	4.59	-0.10

N.Y. SE ALL COMMON INDEX

Index	June 17	June 18	Change
Dow Jones Industrial	97.77	99.28	+1.51
NYSE All Com	484.72	487.72	+3.00
NYSE 30	104.40	106.80	+2.40
NYSE 100	104.40	106.80	+2.40
NYSE 200	104.40	106.80	+2.40
NYSE 400	104.40	106.80	+2.40
NYSE 600	104.40	106.80	+2.40
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NYSE 1200	104.40	106.80	+2.40
NYSE 1400	104.40	106.80	+2.40
NYSE 1600	104.40	106.80	+2.40
NYSE 1800	104.40	106.80	+2.40
NYSE 2000	104.40	106.80	+2.40
NYSE 2200	104.40	106.80	+2.40
NYSE 2400	104.40	106.80	+2.40
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NYSE 3800	104.40	106.80	+2.40
NYSE 4000	104.40	106.80	+2.40
NYSE 4200	104.40	106.80	+2.40
NYSE 4400	104.40	106.80	+2.40
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NYSE 9000	104.40	106.80	+2.40
NYSE 9200	104.40	106.80	+2.40
NYSE 9400	104.40	106.80	+2.40
NYSE 9600	104.40	106.80	+2.40
NYSE 9800	104.40	106.80	+2.40
NYSE 10000	104.40	106.80	+2.40

RISES AND FALLS

Index	June 17	June 18	Change
Dow Jones Industrial	97.77	99.28	+1.51
NYSE All Com	484.72	487.72	+3.00
NYSE 30	104.40	106.80	+2.40
NYSE 100	104.40	106.80	+2.40
NYSE 200	104.40	106.80	+2.40
NYSE 400	104.40	106.80	+2.40
NYSE 600	104.40	106.80	+2.40
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NYSE 2200	104.40	106.80	+2.40
NYSE 2400	104.40	106.80	+2.40
NYSE 2600	104.40	106.80	+2.40
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NYSE 3400	104.40	106.80	+2.40
NYSE 3600	104.40	106.80	+2.40
NYSE 3800	104.40	106.80	+2.40
NYSE 4000	104.40	106.80	+2.40
NYSE 4200	104.40	106.80	+2.40
NYSE 4400	104.40	106.80	+2.40
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NYSE 6000	104.40	106.80	+2.40
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NYSE 8000	104.40	106.80	+2.40
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NYSE 8600	104.40	106.80	+2.40
NYSE 8800	104.40	106.80	+2.40
NYSE 9000	104.40	106.80	+2.40
NYSE 9200	104.40	106.80	+2.40
NYSE 9400	104.40	106.80	+2.40
NYSE 9600	104.40	106.80	+2.40
NYSE 9800	104.40	106.80	+2.40
NYSE 10000	104.40	106.80	+2.40

AMERICAN SE MARKET VALUE INDEX

AMERICAN SE MARKET VALUE INDEX			
Index	June 17	June 18	Change
Dow Jones Industrial	97.77	99.28	+1.51
NYSE All Com	484.72	487.72	+3.00
NYSE 30	104.40	106.80	+2.40
NYSE 100	104.40	106.80	+2.40
NYSE 200	104.40	106.80	+2.40
NYSE 400	104.40	106.80	+2.40
NYSE 600	104.40	106.80	+2.40
NYSE 800	104.40	106.80	+2.40
NYSE 1000	104.40	106.80	+2.40
NYSE 1200	104.40	106.80	+2.40
NYSE 1400	104.40	106.80	+2.40
NYSE 1600	104.40	106.80	+2.40
NYSE 1800	104.40	106.80	+2.40
NYSE 2000	104.40	106.80	+2.40
NYSE 2200	104.40	106.80	+2.40
NYSE 2400	104.40	106.80	+2.40
NYSE 2600	104.40	106.80	+2.40
NYSE 2800	104.40	106.80	+2.40
NYSE 3000	104.40	10	

FARMING AND RAW MATERIALS

Malta: more foot and mouth

GRIMA, MALTA, June 17.

A FRESH outbreak of foot and mouth disease over the weekend has forced the Government to suspend all slaughter of cattle, sheep and pigs at the island's abattoir.

Making an unscheduled appearance on television last night the Agriculture Minister, Mr. Freddie Micallef, confirmed that three farms were found contaminated following a full of days since the initial outbreak when a farm in the south of Malta was hit by the disease. There were stormy scenes in Parliament when opposition MP Dr. Josie Muscat demanded an urgent debate and a public investigation which were strongly opposed by Premier Dom Mintoff. Mr. Muscat said he believed seven farms were by now hit by the disease. He claimed the disease could have been imported through straw shipped from Sicily.

According to Mr. Micallef, to-morrow the island's entire livestock population of cattle, sheep, goats and pigs will have been vaccinated.

Japanese cottonseed plant closes

TOKYO, June 17.

JAPANESE COTTONSEED CRUSHER Yoshimura Oil Mill has closed down its 8,000 tonnes a month crushing plant because of increasing difficulties in obtaining imported seed and higher import prices. The company, reported to be the largest Japanese crusher, also blamed a prolonged slump in the domestic oilseed cake market which resulted in processing at the plant being cut to around 2,000 tonnes a month. Yoshimura has no plan to resume cottonseed crushing, and will instead concentrate on refining imported crude cotton seed oil, which it said is more profitable than importing seed for crushing.—Reuter

SECOND FARMS CAN CONTEST PLANNED

Farmscan, the National Farm Management Contest, jointly organised by the Royal Agricultural Society of England, the Agricultural Development Advisory Service, Reading University and Barclays Bank, will be held again this year starting in late October. The contest has been altered to take account of lessons learnt in the first competition last year.

Market downturn brings fall in meat prices

BY PETER BULLEN

BEEF PRICES in the shops have begun to ease following the sudden drop in live cattle values in markets all over the country last week.

The U.K. average fatstock price which was up to almost £23 a live cwt a few weeks ago fell by £1.12 to £21.27 last week and the Meat and Livestock Commission estimated last night that the average from a selection of markets held yesterday was down to £20.77 a cwt or 87p below last Tuesday's level.

The fall in prices has taken place despite a marked reduction in the number of cattle coming onto the market and the virtual drying up of Irish meat exports to the U.K. following a strike by vets in Ireland.

Last week's hot, sunny weather, marking the beginning of the seasonal summer decline in prices was blamed for the sudden drop in prices as consumers cut back purchases.

Another factor affecting beef prices has been the increasing quantity of new season home produced lamb being marketed, particularly now that exports to France have dried up because of the French ban on lamb imports. In the past month the price of medium English lambs on the Smithfield wholesale market for example has dropped about 8p to 32p to 36p a lb.

Some trade observers feel prices may ease still further as it is expected that within a few days the French will announce a steep increase in the variable levy they impose on lamb imports. When the French import ban is lifted U.K. lamb exporters may have to face a levy ranging from 22p to 31p a lb or 8p higher than at present—which could seriously hinder the trade, leaving more for the domestic market. In addition New Zealand lamb supplies are expected to remain plentiful in the months ahead owing to a hold-up of shipments earlier in the season.

A spokesman for the National Federation of Meat Traders said yesterday that the lower fatstock prices and the drop in demand by producers for the meat had already brought reductions in prices of forequarter cuts of

3p to 4p a pound. Quick grilling cuts and other hind quarter meat were still very much in demand particularly with the tourist and summer catering trade picking up. The continuing ban on imports of Argentine chilled rumps was particularly noticeable at times like these he added. Home-killed lamb is also down by 3p to 4p a pound in many shops.

One large multiple chain of food stores has reported a 25 to 40 per cent drop in sales owing to the hot weather last week and forecast that further price reductions will be made before the end of this week to stimulate sales.

Australian farmers should look to the U.S. and Japan as markets for their beef, not the Common Market, said Mr. Crean, Australian Minister for Overseas Trade, yesterday reports Radio Australia.

Mr. Crean, who has spent two days in Brussels discussing trade with the EEC, said there was a real chance of getting Australian beef into the European market in any quantity in the near future or later. It was quite acceptable but European demand was more than enough of their own.

The boom of 1973 in sawn wood, wood-based panels and other products gave way to a recession which was still gathering pace at the end of 1974. Timber prices fell sharply and fluctuations between buyers and sellers' markets had caused extremely severe financial problems for many forest products industries and trading companies, the review said.

At the moment forest products markets face a buyers' market, the EEC said. But it suggested it would be in the industry's interests to combine the present policy of retrenchment and caution with a careful watch for signs of impending recovery next year.

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Smaller silver shortfall

BY JOHN WICKS, ZURICH CORRESPONDENT

WORLD SILVER consumption, which fell last year due to the recession by some 10 per cent, is expected to decline further this year, according to a report published by the Swiss Credit Bank in Zurich. Industrial demand, which accounts for about 90 per cent of total consumption, is currently down by 15 per cent below 1974 levels.

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Weaker lifts metal values

THE WEAKNESS of sterling

brought a general hardening of values on the London Metal Exchange yesterday.

Copper prices moved up, with cash wirebars closing \$5.5 higher at \$23.5 a tonne. Buying from industrial sources, including some demand for cash metal, encouraged the upward trend. Meanwhile, the World Bureau of Metal Statistics reported that U.K. consumption of copper during the first four months of the year at 214,328 tonnes was 3.4 per cent lower than in the same period of 1974. However, it noted that refined copper demand was actually higher than in 1974, but consumption of scrap fell sharply.

Monthly average of U.K. zinc consumption in January-April this year was 18.5 per cent down on 1974, while demand for scrap and remelted zinc dropped by over 50 per cent. U.K. consumption of lead fell during the first four months of the year to 11.6 per cent below the average monthly figure last year.

Both zinc and lead prices were firmer on the Metal Exchange yesterday, with cash lead gaining \$6.125 to \$160.125 a tonne. In zinc the main gain was in three months' quotations which jumped by \$2.25 to \$214.75 a tonne. Tin prices were also higher.

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Decline in farm growth upsets Danes

BY OUR OWN CORRESPONDENT

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in 1974, the State had taken the best part of the increase by withdrawing subsidies and placing the burden on the farmers.

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EEC DAIRY SURPLUS

BY ROBIN REEVES

MILK PRODUCERS will have to accept some financial co-responsibility for surplus production, if the European Community is to have a reasonable dairy policy in the future, Mr. Pierre Lardinois, the Brussels Commissioner for Agriculture told the European Parliament here today.

Speaking during a debate on the Commission's "stock-taking" of the Common Agricultural Policy, an exasperated Mr. Lardinois said it was no good the Parliament and the Council of Agriculture Ministers accepting the blame for the surplus.

One of the key proposals for improving the CAP in the Commission's "stock-taking" is a recommendation that any increase in EEC milk prices should be divided into two, the first part of the rise would take effect in March, while award of the remainder in September would be dependent upon the size of surplus butter and milk powder stocks built up during the summer. If these stocks were too high then producers would have to forego the second part of the increase.

"The report of the Parliament's Agriculture Committee accepts the principle behind this method of trying to make dairy production more responsive to market needs, but rejects the specific proposal. Presenting the report, Mr. James Callaghan, the Conservative group claimed that it could lead to a winter milk shortage, particularly in the new member states, where autumn calving was the general rule.

Mr. Lardinois also suggested a special conference on the agricultural situation in the Mediterranean region to find new ways of producing a healthier agriculture in Central and Southern Italy and Southern France. Italian complaints about the inadequacy of present support arrangements is holding up negotiations for more liberal trading agreements with non-EEC Mediterranean countries. This problem will be again be the main item on the agenda of next week's Agricultural Council in Luxembourg.

In general, the Parliament's Agricultural Committee agrees with the Commission's stock-taking assessment that the CAP has contributed "in general" to stabilising agricultural markets and consumer prices. But it criticises the Commission for not producing more new proposals for dealing with admitted problems in certain sectors, such as beef, milk, and wine, and for not ensuring adequate incomes to farmers in less favoured regions.

They also thought that not enough attention was being paid to the problem of the small-scale producer, particularly in the large margin between the farm-gate and end prices.

The Parliament's report does not come out in favour of permanent producer and consumer subsidies, such as the beef deficiency payments system now in force in the U.K. It accepts only as "temporary" expedients.

There is little doubt that the present EEC dairy policy has made a much livelier debate, particularly since speaker after speaker emphasised that the CAP was a cornerstone of European integration, but that it was far from perfect until the EEC achieved economic and monetary union.

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Producers may have to share burden

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ROCK INDICES

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INSURANCE, PROPERTY, BONDS

REGIONAL MARKETS

Following the market last year of U.S. stock exchanges, a selection of the shares listed previously shown under regional headings is presented below with quotations in London. Issues not marked with an asterisk are not officially listed in London, and are shown only with a view to the U.S. market.			
Am. Int. 20p	5	Gardner (L.) 40	Shick Spain 23
a Spinning 34	1	Grain Ship 470	Sindell (Wm.) 43
stem 18	1	Holme Ship 11	Vicent (L.) 65
W. Int. 20p	1	Winnipeg 9	
W. Est. 30p	132	I.O.M. Steel 119	FRANCE
Am. Int. 20p	5	Holt (U.S.) 250	Alliance Gas (L.) 31
W. Int. 20p	132	Winnipeg 9	Carroll (D.) 172
W. Est. 30p	132	Winnipeg 9	Candadian 17
Am. Int. 20p	5	Winnipeg 9	Concrete Prods. 72
W. Int. 20p	132	Winnipeg 9	Gen. (L.) 172
W. Est. 30p	132	Winnipeg 9	Heston (R.) 59
Am. Int. 20p	5	Winnipeg 9	Irish Distillers 36
W. Int. 20p	132	Winnipeg 9	Irish Wire 59
W. Est. 30p	132	Winnipeg 9	Jacob 32
Am. Int. 20p	5	Winnipeg 9	Summit 31
W. Int. 20p	132	Winnipeg 9	Winnipeg 9

Air for Scapa Flow car ferry

THE GOVERNMENT is to give a £500,000 grant for the purchase of a new roll-off vessel to serve the Scapa Flow and the south Isles of Orkney. The terminal facilities will cost £300,000.

Mr. J. M. Jo Grimand, Minister of the Scottish Office, says at plans for the future modernisation of the shipping services in Scapa Flow are necessary to meet the stresses on this area which is developed locally and used command local support.

A recent consultants' report suggested a vehicle ferry service between the Orkney Islands, Orkney, the Isle of Hoy and Houton on the Orkney mainland. But there have been petitions to the Secretary of State for Scotland from the Isle of Gramsay and also from the Port of Stromness saying that they too should be included in the proposed service.

RUSH FOR COLOUR TV LICENCES

About 35,000 people obtained premature colour television licences to beat the increased licence fee, the Minister of State, Home Office, Mr. Alec Lyson, said today.

He said that the rush was led by Mr. Hugh Dykes (C., Harrow E.)

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About 36,000 people obtained premature colour television licences to beat the increased licence fee, the Minister of State, Home Office, Mr. Alex Lyon, said in a Commons written reply to Mr. Hugh Dykes (C., Harrow E).

The Financial Times Book of Garden Design

Editor: Anthony Huxley.
Contributors: John Brookes, Robin Lane Fox and
Arthur Heilger, MBE, FLS, VMH, AHRHS.



This superbly produced Book of Garden Design describes the planning, planting and maintenance of town, suburban and country gardens and is based on the thinking behind the FT's gold-medal exhibits at Chelsea.

The principles laid down have the widest possible application, and the colour plates, plans and practical text demonstrate how attractive gardens may be created and maintained, despite problems of upkeep, location and space limitation.

It will be a source of inspiration to everyone who hopes to create a beautiful garden.

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OFFSHORE AND OVERSEAS FUNDS

[illegible]

NOTES

[illegible]

****BRITISH FUNDS**

[illegible][illegible]

INDUSTRIALS—Continued

[illegible]

Fresh talks on railway pay start to-day

BY ROY ROGERS, LABOUR CORRESPONDENT

FRESH negotiations to try to settle the strike threat from the National Union of Railwaymen will begin to-day at the invitation of the British Railways Board.

It is assumed from British Rail's readiness to talk that the Board is now prepared to put more money on the table than the £77.5m. arbitration award which only last week they said was their "final limit".

But it remains to be seen whether any additional money will be sufficient for the NUR and the other rail unions, for although the Associated Society of Locomotive Engineers and Firemen and the Transport Salaried Staffs Association have accepted the 27.7 per cent. tribunal award they, too, will want a share in any new money.

A firm indication that the BR Board is unlikely to go near meeting the NUR's demands, for increases of between 30 and 35 per cent. weighted in favour of the lower paid, came yesterday from the Prime Minister.

Answering Commons questions on the dispute, Mr. Wilson said the Government had made it clear that they could not possibly go along with the NUR claim "or negotiations related to getting anything like that claim."

"We have explained to them that although the consequences of a strike in support of their claim would be very costly indeed to the country—both at home and abroad and particularly for the travelling public and the movement of essential goods—the acceptance of a doctrine involving accepting their claim would be even more damaging," he added.

The Prime Minister's attitude indicates a session of hard bargaining beginning to-day when the BR Board will be reluctant to

show its hand before it is convinced that a revised offer would be acceptable to all three unions.

The NUR's main aim is to improve the offer as it relates to the lower paid railmen. Currently on a basic of £25.65 a week plus 24.40 cost of living threshold payments, the 25,000 on this, the lowest grade, have been offered £2.65 "new money" plus consolidation of thresholds to give a basic rate of £32.70.

The NUR wants the "new money" content improved by £1.95 a week to give them similar rises to those won recently by surface miners, and estimates that this increase, plus consequential rises to safeguard pay differentials, would add a further £7m. to the £77.5m. offer.

A settlement on these lines would, of course, require the BR Board being prepared to inject that much more money and the other unions being satisfied with the UR's interpretation of safeguarding differentials.

BR issued its invitation to talks following a two-hour Board meeting yesterday evening. Earlier in the day NUR general secretary Mr. Sid Weighell and the union's president Mr. Dave Bowman had a brief meeting at the Commons with Employment Secretary Mr. Michael Foot, and Environment Secretary Mr. Anthony Croxall.

The two Ministers met the NUR leaders on behalf of the Prime Minister, who was tied up with other meetings, and as part of an arrangement made at last Saturday's Downing Street meeting when Mr. Wilson said he would reply to the case made by the NUR leaders.

They told Mr. Weighell and Mr. Bowman that if, as declared following a meeting of the NUR executive on Monday, they want to resume negotiations they should approach the BR Board.

Land Securities cuts value 25%

BY JOHN TRAFFORD, PROPERTY EDITOR

LAND SECURITIES Investment Trust, Britain's largest property company and a major owner of central London offices, has cut the value of its property portfolio by nearly 25 per cent. from £1,061m. to £805m.

The new valuation, dated March 31, contrasts with the previous official valuation carried out two years earlier at the height of the property boom.

Yesterday, the stockmarket reacted favourably to the news which was widely considered to be somewhat better than had been expected and the Land Securities share price hardened 10p to close at 181p.

Reaction among property developers was rather more reserved. Some took the view that there is still an insufficient number of commercial properties for sale to allow a meaningful assessment of current property values.

Caution about drawing a more general conclusion about the revised valuation, which was carried out by agents Knight Frank and Rutley in the early months of 1975, is largely based on three considerations.

First, the property market has picked up considerably since March with investment yields for prime office properties let at full market rents rising from 7.75 per cent. to around 7 per cent. to-day. A valuation on to-day's

yield basis would show a considerably higher figure.

Secondly, much of the Land Securities portfolio is highly "reversionary," that is, let to tenants on long leases without frequent rent reviews.

There has been little or no market in such properties even since the revival of institutional investment interest in property earlier this year, so a large proportion of the portfolio cannot be given a value in any way based on recent sales.

Third, many of the Land Securities properties, particularly those in Central London, are very large and would be expected to sell at prices a long way above the present range of institutional buying interest.

Recently, the institutions have been actively buying top-quality properties worth £2m-£3m, but there has been a recent dearth in properties worth £20m, or more—the level which should apply to many Land Securities holdings.

Property companies now appear alive to the dangers of placing too much emphasis on the book value of their portfolios—it was an unofficial increase in Land Securities portfolio value in November 1973 which sparked the political storm that led Mr. Anthony Barber, then Chancellor of the Exchequer, to propose a development gains tax.

Weather

U.K. TO-DAY
HIGH PRESSURE over East England will move away eastward and low pressure will move in from Ireland to most areas.

London, Southern England, E. Anglia, the Midlands, N.E. England
Sunny intervals at first becoming cloudy but mainly dry. Max. 21C (70F).

Channel Isles, S.W. England, Wales
Drizzle at times with hill and coast fog patches. Max. 19C (66F).

Northern England, Lake District, Isle of Man, Borders, E. Scotland, Central Highlands
Dry at first, becoming cloudy with occasional rain and fog on hills. Moderate to fresh wind. Max. 15C (59F).

W. Scotland, N. Ireland
Cloudy with rain at first and sunny intervals and showers later. Winds fresh. Max. 13C (55F).

Orkney, Shetland
Cloudy later with some rain and fresh winds. Max. 9C (48F).

Outlook: Dry and warm in South; rainy and cool in the North.

BUSINESS CENTRES

	Y'day	Mid-day	Y'day	Mid-day
Alexandria	25	25	Luxemburg	25
Amman	25	25	Madrid	21
Algiers	25	25	Manila	25
Antwerp	25	25	Moscow	25
Bahia	25	25	Munich	25
Bangkok	25	25	Nairobi	25
Batavia	25	25	Paris	25
Bombay	25	25	Rome	25
Buenos Aires	25	25	Singapore	25
Calcutta	25	25	Sofia	25
Canton	25	25	Stockholm	25
Cebu	25	25	Strasbourg	25
Colon	25	25	Taipei	25
Hankow	25	25	Tokyo	25
Hong Kong	25	25	Warsaw	25
Kobe	25	25	Zurich	25
London	25	25		

State industries may be shielded from cuts

BY COLIN JONES

THE GOVERNMENT has undertaken to try to exclude nationalised industry investment programmes from any public expenditure cuts this year should these become necessary, and has promised to consider these programmes in an industrial, rather than a public expenditure, context.

This is revealed in the report of an official working party on the procedures for approving nationalised industry investment programmes which was chaired by the Treasury and released by the National Economic Development Council yesterday.

To provide a greater measure of stability in nationalised industry investment spending, the Government will endeavour to clear approval of these industries' forward programmes in the summer of each year, irrespective of progress on other parts of the annual public expenditure review.

From now on, too, this approval will extend further ahead: in addition to approval of the whole of the following year's investment programme and 80 per cent. of the programme for the second year ahead, each industry will be given firm approval of 70 per cent. of its agreed expenditure programme for the following year again. Up until now, the totals for the third (and fourth) years ahead

have been regarded as planning figures only.

These changes in part reflect a desire on the part of the Chancellor of the Exchequer to sustain industrial investment in the public and private sectors during the present economic downturn.

They also attempt to deal with some of the long-standing criticisms by the nationalised industries and their supplier industries of sudden Ministerial interventions in one or other aspect of the industries' operations.

On the latter point, the proposals of the Treasury working party—which have been agreed by Ministers and which deal largely with the mechanics of investment approval procedures—go only part of the way.

This is borne out by a second report also released yesterday, by the National Economic Development Office on the nationalised industries' relations with their suppliers.

While welcoming the working party's proposals, the NEDO report identified several other areas which have caused concern to the nationalised industries and their suppliers in the figures contained in the industries' forward programmes.

The difficulties vary from one

industry to another, but a common theme—particularly in the coal, steel, electricity, and railway industries—is the lack of Ministerial commitment to longer-term programmes and the absence of a bi-partisan approach to longer-term strategies.

The steel plant closure review and short-term cuts in agreed investment programmes in recent years are cited as particular cases.

The report also criticises the need for detailed project approval by many sponsoring departments, even after a whole year's programme has been approved and which, in the case of British Rail, involves projects costing £250,000 or more.

The NEDO report states that the nationalised industries do not expect their investment plans to be immune to market forces or technological changes but because of Ministerial control these industries can have a sharper and less predictable impact.

The report goes on to suggest that considerable benefits could result if these uncertainties were eased. Given a sounder basis on which to plan their own forward operations, the supplier industries could raise productivity, reduce costs, improve their export performance, and undertake a higher and more even level of investment spending.

Give Neddy a bigger role, TUC and CBI tell Ministers

BY WILLIAM KEEGAN, ECONOMICS CORRESPONDENT

THE TUC and the Confederation of British Industry yesterday urged a Press conference afterwards, Sir Ronald McIntosh, NEDO director-general, said that "one of the main thrusts of Neddy's work will be to try to bring about the changes which will mean we enter the next upswing with higher productivity, better use of resources, and a better stock of investment."

The next upturn might be delayed by the slow recovery of world trade, said Sir Ronald, but there was likely to be great pressure on U.K. resources by 1977-78, and taking up the CBI/TUC ideas—NEDC could give guidelines to bodies such as the EEC and MSC on areas of the economy which needed special attention.

There was what Sir Ronald described as "a remarkable degree of agreement" around the EEC table yesterday about the need for more economic planning. "We are in a situation which we can't simply stumble out of," one member said.

The joint TUC/CBI paper calls for the Treasury to be much more forthcoming with its forecasting data, and to supply NEDC

with regular—possibly quarterly—forecasts of national expenditure, national gross domestic product, "in real and money terms," together with unemployment and the various balances of the different sectors of the economy.

It goes on: "The role of NEDC in first evaluating and then in devising to agree parallel lines of thinking and action on the economy needs a far more open debate both between officials and at Council level."

The Prime Minister himself had given the impression in a television interview a few weeks ago that he was thinking of a more prominent role for NEDC, and even revived the idea of both sides of industry sitting around a table and discussing the sharing out of the national cake.

The formal Government reply to the CBI/TUC paper will come in a fortnight at the next NEDC meeting.

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Coats Patons forecasts full dividend payments for 1975

BY MARGARET RED

COATS PATONS, which has how far discontent at the controversial 1974 dividend move decision to pass its 1974 final dividend to conserve cash, yesterday forecasted full dividend payments for 1975.

The company's new dividend policy, which will be effective from 1975, is a level effectively 121 per cent. above what shareholders received for 1973.

It was uncertain last night

as its present intention to advise members to vote against the report and accounts, at the annual meeting on July 11, is expected to discuss the position later this week. Pension fund managers, who have also been critical, will consider the matter among themselves shortly.

It was suggested in the unit trust industry yesterday that further problems might be ahead, since Coats Patons' forecasted dividends for 1975 might exceed what would be allowed under present Treasury dividend restrictions concerning "recovery situations."

A spokesman for the group's merchant banking advisers, Morgan Grenfell, said last night, however, that this was not necessarily a problem, but a "unique situation."

The final dividend hoped to be paid 1975 had not been cleared with the Treasury, which did not rule on hypothetical questions, he said. But he added: "We would be most surprised if the Treasury took the view that this was other than a very special situation and if they did not co-operate."

Mr. Charles Bell, Coats Patons' chairman, announced that the group would pay an interim dividend of 0.9444p net per share for 1975, brought forward to December. At this moment, he said, the Board also "expects" a final dividend of 1.7673p net per share, which would mean the equivalent of a total gross payment of 4.1718p a share for 1975.

Under arrangements being made by the company, smaller shareholders wishing to sell their scrip issue shares will be able to dispose of them at average rates of commission, which are more favourable than minimum rates.

Saying that he was completely unrepentant about the decision on the 1974 final dividend, Mr. Bell said yesterday that he could not forecast 1975 profits—the present position is not good—but that the cover for the normal dividend was "very considerable." Moreover, he expressed the hope that the cash position would continue to improve.

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Pound picks up after hitting 26.7% low

BY MICHAEL BLANDEN

THE POUND fell another 1 per cent. in value to a new low yesterday morning, but picked up later on some buying activity in relatively quiet markets.

Following some pressure in late dealings on Monday night, sterling met a flurry of selling from the Continent, including particularly France and Switzerland, at the start of business yesterday.

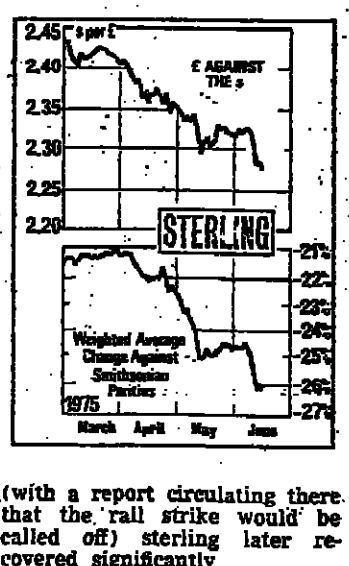
This took the average depreciation from December, 1971, levels by the time the Bank of England made its morning calculation, to a new low of 26.7 per cent.

This compares with the previous night's depreciation of 26.2 per cent., equal to the record closing low point recorded last Thursday. And it was 0.2 points worse than the lowest level reached at any time previously, the 26.5 per cent. recorded during dealings on Thursday.

The pressure was also reflected in the rate against the dollar, which early in the day touched \$2.3667, down a further 0.01 points from the previous night's close.

Later in the day, however, the market quietened. Dealers reported that the Bank of England had possibly been in the market on a small scale early in the day, but that there had been no sign of support later.

And with the help of renewed buying, first from New York and then from the Continent



(with a report circulating there that the 'rail strike' would be called off) sterling later recovered significantly.

By the close, the average depreciation had narrowed again to 26.5 per cent., while the dollar rate had improved to \$2.3720, a fall of only 26 points from the overnight level. There was also a further gain in the forward sterling exchange rates.

Activity in the market was reported to be quiet through much of the day, with the closure of Frankfurt for a national holiday helping to hold down the level of dealings. Nevertheless, the market remains very nervous about the position of sterling.

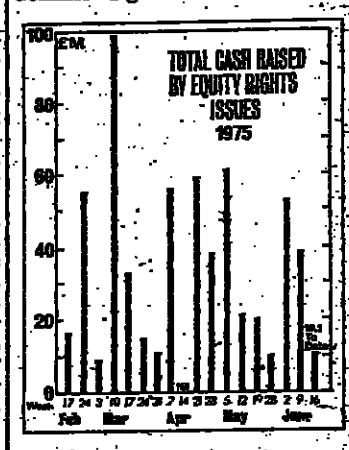
THE LEX COLUMN

New yardstick for property values

The end of the early 1970s property boom has wiped £256m. or 24 per cent.—off the value of Land Securities' completed properties in the last two years, ignoring the £278m. surplus of November, 1973, which was set aside last year. The result is a drop in fully diluted net worth from 344p to 294p—taking developments at cost—against a peak of 513p in November, 1973. Yet the statement produced a definite sigh of relief in the

Index fell 4.9 to 330.6

in the p and l account. Profits after tax fell from £4m. to £2.1m. before the capitalisation of development interest of £7.3m. This should help steady the shares of the company and the sector, even though Land Securities is possibly less of a benchmark than it was because of its high proportion of big accounts—where larger developments are needed—and concentration in Central London—where rents are weakest. The valuation no doubt takes full account of this although no official indication has been given of the yield basis, a figure of around 8 per cent. seems likely to have been used for prime investments, compared with possibly 5 per cent. two years ago. Yields have dropped by around three-quarters of a point since the end of March, but this has been offset by falling rents. As usual, however, we are told none of the essential details underlying the valuation.



Coats Patons
Coats Patons is "completely unrepentant" about its decision to pass the final dividend, but yesterday's explanatory statement goes so far to "warn" shareholders not to risk losing sight of the logic which underlies the original decision. The main argument, it will be remembered, was that the £37m. swallowed up in 1974 by the effect of inflation upon working capital made it desirable (along with tax reasons) to miss the dividend in order to protect shareholders' equity. In other words, Coats was saying that cash generation rather than profits should be the measure of dividend paying ability. Now, however, it is saying that in future dividends will be determined by earnings, the 1974 decision was made in "quite exceptional circumstances."

Only an optimist, however, could suggest 1974's conditions seas subsiding actually posted could not recur. The current year's small increase in the dividend, achieved by heavy operation probably originated in the problems at half time and falls in fibre prices, and these emerged about a fifth lower trends will reverse in due while the U.S. and Holland were course, though demand remains well ahead. The U.K. weak for the time being (with panics, which carry nearly all a 6 per cent. fall in U.K. thread volume, for instance).

Hint of Japanese car curbs

By Terry Dodsworth

A BROAD hint that the Japanese car industry might impose some form of self-restrictions on its exports to Britain was given last night by Mr. Peter Carey, Secretary (Industry) at the Department of Industry.

He suggested that for Britain to impose restrictions on imports from the Japanese would be a "last resort" and that the Government would prefer to see the Japanese industry "voluntarily" restrict its exports.

Mr. Carey said that the Japanese car industry had been "very successful" in recent years, but that this had led to a "serious imbalance" in the trade between the two countries.

He said that the Government was "concerned" about this imbalance and was "looking for ways" to address it.

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He said that the Government was "concerned" about this imbalance and was "looking for ways" to address it.

Plains there is at least a touch of opportunism in this move. But the sizeable minority interests overseas are a constraint on self-financed expansion in new territories. Redland insists it is raising the amount of new money that it actually needs. Moreover, its 1974-75 figures demonstrate its success in developing new markets overseas.

Profits excluding land sales are down from £2.3m. to £1.8m. before tax, but the overseas subsidiaries actually posted a small increase in the second half. The important German operation probably originated in the problems at half time and falls in fibre prices, and these emerged about a fifth lower trends will reverse in due while the U.S. and Holland were course, though demand remains well ahead. The U.K. weak for the time being (with panics, which carry nearly all a 6 per cent. fall in U.K. thread volume, for instance).

for less than a quarter of the pre-tax total and scarcely made gains for 1975, split out now to £1m. in the second half. But give shareholders an idea of hopes for overall stability this how they are placed: raise fresh year are reinforced by the problems. The total payout is cast of a 20 per cent. dividend to be 4.17p a share gross, an hike:

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